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University of California  
Berkeley, California

Kaiser Permanente Medical Care Program Oral History Project

Raymond M. Kay, M.D.

HISTORY OF THE KAISER PERMANENTE  
MEDICAL CARE PROGRAM

An Interview Conducted by  
Ora Huth  
in 1985

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RAYMOND M. KAY, M.D.



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Lambreth Hancock

Frank C. Jones

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Clifford H. Keene, M.D.

Benjamin Lewis, M.D.

George E. Link

Berniece Oswald

Sam Packer, M.D.

Wilbur L. Reimers, M.D.

Ernest W. Seward, M.D.

Harry Shragg, M.D.

John G. Smillie, M.D.

Eugene E. Trefethen, Jr.

Avram Yedidia



## PREFACE

### Background of the Oral History Project

The Kaiser Permanente Medical Care Program recently observed its fortieth anniversary. Today, it is the largest, one of the oldest, and certainly the most influential group practice prepayment health plan in the nation. But in 1938, when Henry J. and Edgar F. Kaiser first collaborated with Dr. Sidney Garfield to provide medical care for the construction workers on the Grand Coulee Dam project in eastern Washington, they could scarcely have envisioned that it would attain the size and have the impact on medical care in the United States that it has today.

In an effort to document and preserve the story of Kaiser Permanente's evolution through the recollections of some of its surviving pioneers, men and women who remember vividly the plan's origins and formative years, the Board of Directors of Kaiser Foundation Hospitals sponsored this oral history project.

In combination with already available records, the interviews serve to enrich Kaiser Permanente's history for its physicians, employees, and members, and to offer a major resource for research into the history of health care financing and delivery, and some of the forces behind the rapid and sweeping changes now underway in the health care field.

### A Synopsis of Kaiser Permanente History

There have been several milestones in the history of Kaiser Permanente. One could begin in 1933, when young Dr. Sidney Garfield entered fee-for-service practice in the southern California desert and prepared to care for workers building the Metropolitan Water District aqueduct from the Colorado River to Los Angeles. Circumstances soon caused him to develop a prepaid approach to providing quality care in a small, well-designed hospital near the construction site.

The Kaisers learned of Dr. Garfield's experience in health care financing and delivery through A. B. Ordway, Henry Kaiser's first employee. When they undertook the Grand Coulee project, the Kaisers persuaded Dr. Garfield to come in 1938 to eastern Washington State, where they were managing a consortium constructing the Grand Coulee Dam. Dr. Garfield and a handful of young doctors, whom he persuaded to join him, established a prepaid health plan at the damsite, one which later included the wives and children of workers as well as the workers themselves.

During World War II, Dr. Garfield and his associates--some of whom had followed him from the Coulee Dam project--continued the health plan, again

at the request of the Kaisers, who were now building Liberty Ships in Richmond, California, and on an island in the Columbia River between Vancouver, Washington and Portland, Oregon. The Kaisers would also produce steel in Fontana, California. Eventually, in hospitals and field stations in the Richmond/Oakland communities, in the Portland, Oregon/Vancouver, Washington areas, and in Fontana, the prepaid health care program served some 200,000 shipyard and steel plant employees and their dependents.

By the time the shipyards shut down in 1945, the medical program had enough successful experience behind it to motivate Dr. Garfield, the Kaisers, and a small group of physicians to carry the health plan beyond the employees of the Kaiser companies and offer it to the community as a whole. The doctors had concluded that this form of prepaid, integrated health care was the ideal way to practice medicine. Experience had already proven in the organization's own medical offices and hospitals the health plan's value in offering quality health care at a reasonable cost. Many former shipyard employees and their families also wanted to continue receiving the same type of health care they had known during the war.

Also important were the zeal and commitment of Henry J. Kaiser and his industry associates who agreed with the doctors about the program's values and, despite the antagonism of fee-for-service medicine, were eager for the success of the venture. Indeed, they hoped it might ultimately be expanded throughout the nation. In September, 1945, the Henry J. Kaiser Company established the Permanente Health Plan, a nonprofit trust, and the medical care program was on its way.

Between 1945 and the mid-1950s, even as membership expanded in California, Oregon, and Washington, serious tensions developed between the doctors and the Kaiser-industry dominated management of the hospitals and health plan. These tensions threatened to tear the Program apart. Reduced to the simplest form, the basic question was, who would control the health plan--management or the doctors? Each had a crucial role in the organization. The symbiotic relationship had to be understood and mutually accepted.

From roughly 1955 to 1958, a small group of men representing management and the doctors, after many committee meetings and much heated debate, agreed upon a medical program reorganization, including a management-medical group contract, probably then unique in the history of medicine. Accord was reached because the participants, despite strong disagreements, were dedicated to the concept of prepaid group medical practice on a self-sustained, nonprofit basis.

After several more years of testing on both sides, a strong partnership emerged among the health plan, hospitals, and physician organizations. Resting on mutual trust and a sound fiscal formula, the Program has attained a strong national identity.

## The Oral History Project

In August 1983, the office of Donald Duffy, Vice President, Public and Community Relations for Kaiser Foundation Health Plan and Hospitals, contacted Willa Baum, director of the Regional Oral History Office, about a possible oral history project with twenty to twenty-four pioneers of the Program. A year later the project was underway, funded by Kaiser Foundation Hospitals' Board of Directors.

A project advisory committee, comprised of seven persons with an interest in and knowledge of the organization's history, selected the interviewees and assisted the oral history project as needed. Donald Duffy assumed overall direction and Darlene Basmajian, his assistant, served as liaison with the Regional Oral History Office. Committee members are John Capener, Dr. Cecil Cutting, Donald Duffy, Robert J. Erickson, Scott Fleming, Dr. Paul Lairson, and Walter Palmer.

By year's end, ten pioneers had been selected and had agreed to participate in the project. They are Drs. Cecil Cutting, Sidney Garfield, Raymond Kay, Clifford Keene, Ernest Seward, and John Smillie, and Messrs. Frank Jones, George Link, Eugene Trefethen, Jr., and Avram Yedidia.

By mid-1985 an additional ten had agreed to participate. They are: Drs. Morris Collen, Wallace Cook, Alice Friedman, Benjamin Lewis, Sam Packer, Bill Reimers, Harry Shragg, and David Adelson, Lambreth (Handy) Hancock, and Berniece Oswald.

Plans to interview Dr. Garfield and Dr. Wallace Neighbor, who had been at Grand Coulee with Dr. Garfield, were sadly disrupted by their deaths a week apart in late 1984. Fortunately, both men had been previously interviewed. Their tapes and transcripts are on file in the Central Office of the medical care program. Similarly the project lost Karl Steil due to his lengthy illness and death in 1986.

The advisory committee suggested 1970 as the approximate cutoff date for research and documentation, since by that time the pioneering aspects of the organization had been completed. The Program was then expanding into other regions, and was encountering a new set of challenges such as Medicare and competition from other health maintenance organizations.

## Research

Kaiser Permanente staff and the interviewees themselves provided excellent biographical sources on each interviewee as well as published and unpublished material on the history of the Program. The collected papers of Henry J. Kaiser on deposit in The Bancroft Library were also consulted. The oral history project staff collected other Kaiser Permanente publications, and started a file of newspaper articles on current health care topics. Most of this material will be deposited in The Bancroft Library with the oral history volumes. A bibliography is located at the end of the volume.

To gain additional background material for the interviews, the staff talked to five Kaiser Permanente physicians in northern California, two of whom had left the program years ago: Drs. Martin Abel, Richard Geist\*, Ephraim Kahn\*, James Smith\*, and William Bleiberg\*. James De Long\* in Portland, and William Green\*, William Allen\*, and Dr. Toby Cole\* in Denver talked about the history of their regions. In addition, Peter Morstadt\*, formerly executive director of the Denver Medical Society discussed the attitude of the Medical Society toward Kaiser Permanente's years in Denver.

The staff also sought advice from the academic community. James Leiby, a professor in the Department of Social Welfare at UC Berkeley and an advocate of the oral history process, suggested lines of questioning related to his special interest in the administration of and relationships within public and private social agencies. Dr. Philip R. Lee, professor of social medicine and director of the Institute for Health Policy Studies at the University of California Medical School, proposed questions concerning the impact of health maintenance organizations on medical practice in the United States.

#### Organization of the Project

The Kaiser Permanente Oral History Project staff, comprised of Malca Chall, Sally Hughes, and Ora Huth, met frequently throughout 1985 to assign the interviews, plan the procedures and the time frame for research, interviewing, and editing, and to set up a master index. Interviews with the first nine pioneers took place between February and June, 1985, and with the second group between February and December, 1986. The transcripts of the tapes were edited, reviewed by the interviewees, typed, proofread, indexed, copied, and bound. The entire series will be completed during 1987.

#### Summary

This oral history project traces, from various individual perspectives, the evolution of the Kaiser Permanente Medical Care Program from 1938 to 1970. Each interview begins with a discussion of the individual's family background and education--those tangible and intangible forces that shaped his or her life. The conversation then shifts to the interviewee's participation in and observation of significant events in the development of the health plan. Thus, the reader is treated not only to facts on the history of the Program, but to opinions about the personal qualities of the men and women--doctors, other health care professionals, lawyers, accountants, and

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\*Tapes of these interviews have been deposited in the Microforms Division of The Bancroft Library.



businessmen--who, often against great odds, dedicated themselves to the development of a health care system which, without their commitment and skills, might not have resulted in the individual and organizational achievements that the Kaiser Permanente Medical Care Program represents today.

The Regional Oral History Office was established to tape record autobiographical interviews with persons who have contributed significantly to the development of the West. The office is headed by Willa K. Baum and is under the administrative supervision of James D. Hart, the director of The Bancroft Library.

Malca Chall, Director  
Kaiser Permanente Medical Care Program  
Oral History Project

23 January 1987  
Regional Oral History Office  
Berkeley, California



## INTERVIEW HISTORY

Dr. Raymond Myer Kay was an oral history memoirist because of his distinguished career as an exceptional physician, informed historian, and principal administrator for the Kaiser Permanente Medical Care Program in Southern California. Born in Marshall, Texas, in 1904, his lifetime pursuits consistently linked him to people concerns--as a student with close friends whose experiences revealed glaring medical care inequities; as a loving son, grandson, husband, father, and grandfather concerned about the well-being of family members, whatever their ages; as an internist attending to the health care needs of army or Kaiser Permanente patients; or as a top medical administrator applying innovative approaches for the benefit of all program participants.

In the early 1930s, after securing a medical degree at Stanford University, there were significant consequences developing from Dr. Kay's internship training and his close friendship with University of Southern California (USC) Medical School roommates and future Kaiser program pioneers, Drs. Sidney Garfield and Wallace Neighbor. Their experiences under a USC program at the Los Angeles County General Hospital, and their reflective observations and probing discussions of the county's patient care methods, the emerging group practice arrangements, and traditional fee-for-service practices introduced Dr. Kay to alternative approaches to medical care.

Some fifteen years later, in 1949, with his medical care concepts clarified, Dr. Kay joined the southern California program in Fontana. Life events leading to this decisions were: changes in his personal life, medical training experiences, Army Medical Corps service during World War II, his advisory role during the early experimental prepaid health plan efforts organized and implemented by Dr. Garfield for Kaiser Industries, plus several years in private practice. At first, he was Dr. Garfield's representative assigned to carry out his directives. Soon he was named medical director over the Southern California Permanente Medical Group, with guidance responsibilities for the health plan and hospitals. By the 1960s, under his direction, he and his associates developed an economically sound, socially beneficial, and creative system of patient care. In addition to his personal history, the interviews record the medical and administrative career of a respected leader, and they reveal his caring and humanitarian ways.

Dr. Kay traces his efforts to solve major problems over the years, particularly at Fontana--some that were attributed to periodic discontent, polarization of interests, and breakdown in communication--and others that were caused by rapid growth and expansion of the program, and medical society opposition to prepaid group practice. Gradually the problems were overcome, private medical opposition waned, and an outstanding health care

program unfolded, with the successes credited largely to Dr. Kay. With Kaiser Permanente expansions taking place nationally, his expertise was often called upon, especially in connection with the decision to activate a program in Denver, Colorado.

The interviews took place on March 26, 27, 29, and April 25, 1985. Averaging three hours in length, three were conducted in Los Angeles in Dr. Kay's office in the Department of Medical Manpower he directs at the Los Angeles Medical Center on Sunset Boulevard, and the last in Dr. Kay's room in the Hyatt Regency Hotel in downtown Oakland. An outline was sent in advance, and the scope and topics to be covered were discussed before each interview. The first preinterview conference was interrupted for Dr. Kay's regular meeting with nurse practitioner trainees. Then, back for the interview, he was fully prepared to respond to questions posed. Seated either behind his desk or next to the interviewer, he was relaxed, at ease, and outgoing. Due to his vivid memory he responded quickly, candidly, and with great energy about facts, events, and important "team" players. He quickly warmed to the interview process, often remarking, "You've got such a talkative guy!"

Dr. Kay was a genial host for three meals during the interview process. The lunch break during the first interview included Mildred Robertson, retired, who began as his secretary in the early 1930s. They reminisced about the staff camaraderie of the pioneering days, and the barbecues and holiday parties the Kays gave at their home for everyone, including families. At lunch following the final interview, Dr. Kay confided that he had experienced a difficult arrival at the airport because his close friends, Drs. Garfield and Neighbor, had not been there to greet him, both having passed away a few months earlier within a week of each other. Months later, at a dinner following his diligent review of the edited transcript, Dr. Kay revealed the source of photographs selected for this volume, noting that the frontispiece photo was provided by Ms. Robertson, and that the rest were from a scrapbook compiled by his key associate, Dr. Alvin Sanborn, for his seventy-fifth birthday celebration in 1979. He meticulously reviewed the lightly edited transcript, making appropriate corrections of names, dates, and places, and minor refinements of his original statements. To accompany his unfolding of events, Dr. Kay presented the interviewer with a copy of his book, Historical Review of the Southern California Permanente Medical Group, for deposit in The Bancroft Library. Since his retirement as medical director in 1970, he has continued to see patients regularly in Fontana, and to serve as director of the Department of Medical Manpower for the Southern California Permanente Medical Group.

Dr. Kay emphasizes innovations, triumphs, and problem solving as he tells about directing an expanding program that began with nine physicians caring for nine thousand members in 1949, and grew to 1,861 physicians servicing 1,766,209 members in 1984, using multiple medical centers and satellite clinics. He credits careful nationwide recruiting for the highly motivated physicians he interviewed and hired over the years disclosing that:

Idealistically, they were told they would be pioneering a new method of care....We talked more about that than we did salary...it worked to our benefit because the key...men and women we got came to us, not because of salary, ...but because they believed in it...that's what's carried us through the rough years...those dedicated guys. It took people with vision to join us then, against the medical societies...they have made this what it is today!

Ora Huth  
Interviewer-Editor

4 March 1987  
Regional Oral History Office  
486 The Bancroft Library  
University of California at Berkeley



BIOGRAPHICAL INFORMATION

(Please print or write clearly)

Your full name Raymond M. Kay, M.D.

Date of birth August 28, 1904 Place of birth Texarkana, Texas

Father's full name Louis Kosminsky

Birthplace Texarkana, Texas

Occupation Cotton Dealer

Mother's full name Hallette Weisman Kay

Birthplace Marshall, Texas

Occupation Mother and homemaker

Where did you grow up ? Marshall, Texas and Los Angeles, California

Present community Upland, California

Education Stanford University--B.A. Degree 1927

Stanford University--M.D. Degree 1932

Occupation(s) Physician-Internist: 1934-1939. Instructor and Professor of  
Medicine: USC School of Medicine: 1934-1941. Medical Administrator: 1949-  
1970, Director, Medical Manpower, Southern California Permanente Medical  
Group: 1970-present

Special interests or activities Family, work--medicine and organization of  
medical groups, athletics, books

## RAYMOND M. KAY, M.D.

## CURRICULUM VITAE

Birthdate: August 28, 1904  
 Texarkana, Texas

Stanford University	AB Degree	1927	Pre-Medical
Stanford University	MD Degree	1932	
Los Angeles County General Hospital		1931-1933	Internship
Cook County Hospital, Chicago, Illinois		1934	Pathology Residency
Instructor and Assistant Professor USC School of Medicine		1934-1941	
Certified American Board of Internal Medicine		1940	
Associate Professor of Medicine USC School of Medicine		1946-1949	
Clinical Professor of Medicine		1949-1970	
Medical Director Southern California Permanente Medical Group		1949-1970	
Director of Medical Manpower Division of Department of Education Southern California Permanente Medical Group		1970-Present	
Coordinator of Comprehensive Health Program Southern California Permanente Medical Group - Fontana		1970-1973	

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# I FAMILY BACKGROUND AND EDUCATION, 1904 TO 1934

[Interview 1: 26 March, 1985]##

Huth: I'd like to start with your personal history to learn something about you and your family background. Family background includes such things as parents, grandparents, your wife, everyone connected with your family, where they lived, and how you came to Los Angeles, and all of your background in that way. So we can start now with whatever you have to tell me about your family.

Kay: Well, I was born in Texarkana, Texas, on August 28th, 1904. That was on the Texas side of the street. Texarkana is part Arkansas and part Texas. My name at that time was really Raymond Kosminsky--when I was born. My father was born in America and so was my mother. His parents came here--one from England, and one from Poland. We lived most of the time with my mother's parents, and I'll tell you why. My mother's parents were both born in this country, but their parents were from Bavaria in Germany.

My father was in the business of selling cotton, and my mother was ready to be a housewife. My father died when I was four years of age, and for that reason we moved and lived in Marshall, Texas, with her parents. Our life was essentially with them from then on. My mother never married again. She was a beautiful lady, who evidently felt that it would be disloyal to my father to remarry. I remember her very well as being in black for a long time. But eventually my big thrill was when she put on a white shirtwaist to go out with her parents.

## Family Support and the Move to California, 1912

Kay: Our lives were entwined with her mother and father, who were very wonderful people. They started a department store in Marshall, Texas, before 1900. This store was in the family from the start. My grandfather ran it. My father ran it. When he died, my uncle took over, and I was supposed to take over from my uncle, but instead I went into medicine.

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##This symbol indicates that a tape segment has begun or ended. For a guide to the tapes, see page 170.

Kay: My grandparents played a very important part in my life, especially my grandmother, who was a homeopath, who believed in and was very very interested in medicine. She treated everybody with her homeopathic medicine.

Huth: Do you remember any special remedies she used?

Kay: Oh, she'd use acanthine (aconite and belladonna) and all that. You know, a homeopath uses very small doses of everything, so she never hurt anybody with it.

Huth: Do you think they worked or was it because you thought they worked?

Kay: I think it was because I thought they worked. They're like most medicine, you know. It's the way you give it rather than what you give that counts.

At any rate we lived in Marshall, Texas, until I was about eight or nine years of age, and then we started coming out to California every summer. We came out to Ocean Park.\* We'd rent a house there. And we were there in that tremendous Ocean Park fire when the pier burned and our house was burned and everything else. But every winter we would go back to Texas.

Huth: Did the whole family come?

Kay: Yes--my grandmother, my grandfather, my mother and myself, and one or two of her sisters would also come.

Huth: Were there other brothers and sisters in your family?

Kay: I had no other brothers and sisters. My father died when I was four and I was the only child, so I lived the spoiled life of an only child. When my grandfather died we came out summers for a couple of years, and then my grandmother decided we should move out to California.

During those summers I worked in a drugstore. I would help the "soda jerks," and I would clean and sweep the floors. I thought it was a very worthwhile experience working behind a soda fountain. I thought I learned to meet people, and to be interested in people.

Huth: Did you work only behind the soda fountain, or did you have something to do with the drugs part of it also?

Kay: Oh no, just sweeping the floors and cleaning up. Anytime I could get behind the soda fountain, boy, I loved that!

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\*Beach area outside the City of Los Angeles--next to Venice.

Huth: Making the ice cream sodas and the sundaes and eating them?

Kay: Yes. Finally when I was about eight we moved out to southern California.

Huth: Do you remember where you moved to when you came out?

Kay: Well, we bought a house down at Ocean Park on Dudley Avenue.

Schooling, Friends, and Activities, 1912 to 1927

Kay: I was put in a military school because I was a pretty spoiled brat, and they thought I needed a man's hand. Oh, I hated it at first.

Huth: Which military school was it?

Kay: Well, it was the Santa Monica Military School at first. Then it moved to Pasadena, and then it was the Pasadena Military School. Then I went there for three years, and I enjoyed it once I got used to it.

Huth: What things were pleasant about it once you got used to it? What did you like about it?

Kay: Just the fellowship of being with people. I don't remember anything else particularly good about it.

Huth: Was this because you didn't have any brothers or sisters?

Kay: Yes. There was an English school, and I learned to eat like the English do with my fork and knife, and I played soccer and different things that they did there and I enjoyed it. But I don't think it played an important part in my life.

Huth: That was your eighth to eleventh year?

Kay: Eighth to eleventh or twelfth year.

Huth: Did you have any particular hobbies at this time? Things that you would like to do like reading books or sports?

Kay: I enjoyed the fellowship and sports. Then we were going back to Texas at about the end of my eleventh or twelfth year. And I remember I had to go to school in Venice, California, temporarily, just for two or three months. I remember I had a big fight with the school bully down there.

Huth: What kind of a fight was it, a fist fight?

Kay: Oh, yes. This guy came up and started picking on me, and he said, "O.K. Let's get off the grounds and fight." And I said, "Well, I wrestle better than I fight." That's all he wanted! I wanted to get him wrestling, but he was punching. So I just danced around and kept from getting hit very badly. We both got held after school for that.

I learned a lesson in that little incident. You just dig in and fight with a guy. You don't tell him that you would rather wrestle! It was something that I remembered in my life.

Then there was a flu epidemic and the schools were closed here. We went back to Texas.

Huth: Back to Marshall, Texas?

Kay: Yes, back to Marshall.

Huth: Who was minding the store while you were out here? Who was running it? Someone else in your family--uncles?

Kay: I imagine my uncle was in there at that time because my grandfather, I think, died somewhere in there.

Huth: Was your grandmother getting income from that store?

Kay: Oh, yes.

Huth: So she would send money. I was just wondering how you managed--where your living wherewithal came from.

Kay: Well, my mother and I had very little, very very little. My father left it to me and she had to account for everything. It was very rough on her.

Huth: He left it in a trust?

Kay: Yes, there was very little money. It wasn't enough. We could have never lived as we did if it hadn't been for my grandparents. But my grandparents had sufficient money coming from the store, except once or twice when it failed. But once it got back on its feet again it did fine.

Huth: Did it do all right during the Great Depression?

Kay: Oh, yes. It was a very handsome source of income. It was the biggest store in that whole area. From all around, the little towns around, they would come into Joe Weisman and Company. That was the name of the store.

Huth: Where did the name Joe Weisman come from?

Kay: From Joe Weisman. That was my grandfather. And my mother was Hallette Weisman.

So we moved back there during that year, about 1917.

Huth: How old were you then?

Kay: Well, I must have been about thirteen. This thing happened and I went back to grammar school. The fight was there. But the next year we planned to stay out and then they had the flu epidemic. So we went back to Marshall, and I had my first year of high school in Marshall. Then we came back to California, and I went to L.A. [Los Angeles] High School for the rest of my high school career.

Huth: Where was L.A. High School located?

Kay: Out on Olympic Boulevard.

Huth: So was it almost downtown?

Kay: Oh, no. It was way out near Rimpau Boulevard, west of town--quite west of town. It was a big high school.

Huth: How different was Los Angeles at that time? There must have been some open space where it's now solid houses and solid buildings.

Kay: Oh, I'm sure. L.A. High School was out in the country. And we lived in different places, but I think we lived in town while I was in high school, at rented places. Then when I went to medical school, they bought the house at the beach and they were living there. But I went to L.A. High School and I made some good friends there.

Huth: I want to hear something about your high school friends.

Kay: Well, my best friend there was a fellow by the name of Richard Goldwater, and his family was one of the old families of Los Angeles. His father owned a factory that made these clothes. Dick and I went all through high school together and we went up to Stanford [University] together. Dick was really a remarkable guy in that he really loved music, and he really loved art, and he really loved to write. He was a quite productive guy.

Huth: Was he in medicine too?

Kay: No, but his family wanted him to be a lawyer, so he went into law and hated it. In later years when I was a doctor, every time he got a case I had to give him some sedatives to quiet him down. It made him so nervous!

Huth: Did he ever get out of law later on?

Kay: No, he died of a brain tumor later on. No, he was in law the whole time, and he would have loved other things. The only time he got to do some creative work was when we were on the staff of the yearbook at Stanford. My other roommate--a guy by the name of Leon Brown, who became a lawyer in town--was the editor of the yearbook. And I was the manager of the yearbook. Dick did a lot of the art for it, and he was in seventh heaven during that time.

I learned an awful lot. I mean, I'm no great connoisseur of art and music, but I learned to like them and I learned some appreciation. But all of it came from being with Dick Goldwater.

Huth: Did you go to art museums and concerts?

Kay: No, mainly it was just that he was interested. We would go to concerts sometimes, but he played the piano very beautifully. He just had a sense of the nice things in life that kind of rubbed off on me a little bit.

Huth: The cultural side of life.

Kay: Yes, not an awful lot, but what I got came from him.

At any rate I played football in high school, but I wasn't very big, so I played lightweight football.

Huth: Did you have a particular position?

Kay: Oh, it varied over the years. There was a big squad--about a hundred guys. I was about eighth substitute end when the season started, but I worked my way up to first substitute, except that the guy had to be almost dead before they would put me in, see? But that was a lot of fun and I enjoyed it.

Huth: Was the lightweight football also dangerous? Did people get hurt doing it?

Kay: Not too badly. I never got hurt. I didn't get to play enough. Then I decided I was going to be a distance runner.

Huth: While you were in high school? About your junior year maybe?

Kay: Yes, I practiced on the beach and ran up and down practicing. I could hardly wait to try myself out against the good guys, so I ran with some of the good runners. Oh, that was the most disillusioning thing! I recognized that I just wasn't worth a damn. I wasn't good at all, but I kept up anyhow and I ran the whole season. The only positive thing was that I finished every mile. (I ran the mile.) I finished every race and I never got lapped.

Huth: What does "lapped" mean?

Kay: It was a four-lap race and the winner never caught up with me. They would have to take the tape up and hold it and let me under and then let it quickly down for the winners [laughter], but as I said, I never got lapped. Well, that made me realize I wasn't going to be a runner. So the next year I tried swimming. I did the breaststroke.

Huth: That's your senior year by that time?

Kay: Yes, I didn't break any records there either. I don't think I ever won a race.

Huth: Did you try out for the team? Or did they have team sports?

Kay: Oh, sure. Oh, sure. I tried out and I would race in some of them, but I never won. I would take second, or third, or things like that.

Huth: But you enjoyed it?

Kay: Oh, I had fun. It was a challenge, sure.

Huth: Did you enjoy the fellowship with the other team members also?

Kay: Oh, yes. That was a lot of fun.

Huth: Did these two friends of yours run and swim with you?

Kay: No, Dick Goldwater was a sprinter and a real good swimmer too. Then at Stanford, he became a boxer.

#### Stanford University and Medical School, 1923 to 1932

Kay: I might as well carry our athletics on to college at this point. Dick was a good swimmer and he was a wonderful boxer, but he had good defense and you couldn't hit him. We practiced and boxed a lot and then I got into wrestling. Then Dick decided--he never liked to hit anybody--but he decided, by God--he was going to win the championship at Stanford and he did! He won and I was in his corner all the time for that event. I did all right wrestling, but Stanford University didn't have a wrestling team, so we would have university championships. And I think I won a championship. But it was really a weight below what I really was supposed to wrestle at! [laughter]

So I could do a lot of athletics pretty good and have fun out of them, but I was never a world leader. Dick was a wonderful swimmer and a wonderful boxer too.

Huth: Was your other friend who was the editor of the yearbook also in sports?

Kay: Yes, Leon Brown was a very excellent tumbler. He was also the diver on the swimming team. Oh, I forgot to tell you: I was the champion breaststroker of Stanford's freshman class. In my freshman year I went out for swimming, and they had about four swimmers who were a lot better than me at the breaststroke. But somehow the whole thing led up to a Cal meet. There were two men from Cal and two men from Stanford. So I did the tryouts and damned if I didn't get second. The coach just couldn't believe it! So he said, "I think we're going to have to do this over again." [laughter] Then we did it over. So he said, "When do you want to do it?" I said, "Right now--let's do it now." So sure enough I got second again! Oh, this was a thrilling thing! I was going to be in the Cal meet. And all I had hoped to do was to get third, you know. Damned if the Cal meet came on, and all I'm doing is swimming and going. It was a four-lap race, and the third lap, boy, I'm right behind the top guy and, boy, I'm going. And I see Dick through the water dancing around saying, "Come on! Come on! Come on!" And damned if I didn't win the race. I remember I came up at the end of the thing and he says, "You finally won a race. You finally won a race." And this was the big Cal meet, and I won it in the slowest time it had ever been won at, see? I remember the time. It was 126.

But the next year my next roommate won it in a slower time than mine. So he broke the record. But that was the only race I ever won in my life. So that's our athletics.

Huth: That's an interesting story. The athletics are important. Have you continued to be interested in physical type activities?

Kay: Yes, I play a lot of handball and tennis. And I run and do other things, exercise, and I try to keep in shape. I think it's very important.

Huth: Do you still play tennis?

Kay: Sometimes, if I get someone to play with.

Huth: I play tennis.

Kay: Do you? We have a tennis court down at my house. I live way out in Upland, near Mt. Baldy. I got up at a quarter to six to get in here this morning to be sure to be here on time.

Huth: That's quite a trip.

Kay: Yes, it's a long trip.

Dick and I graduated from high school, and we took a trip.

Huth: With your family or your friend?

Kay: My friend. Dick and I went to Stanford as freshmen together. I went mainly because he wanted to go. I didn't know much about Stanford. It wasn't so hard to get in then, so I got in fairly easily. I went to



Kay: Stanford, and there in addition to athletics I went out for manager of the yearbook, which was a competitive thing. You got so many points for selling ads, so many points for selling books. This was in my sophomore year. I won the swimming meet in my freshman year. And then I decided I would rest on my laurels. I wasn't going to swim any more meets, you know, because I knew I wasn't any good. I was just lucky to win. I did a lot of wrestling, and boxing, and playing handball during those years.

I went out for the yearbook, and at that time you tried out as a sophomore and you became manager as a junior. I won the yearbook managship.

In the summer between my sophomore and junior years Dick and I took a little Ford and drove up into Oregon, Washington, and maybe a little into Canada.

Huth: Western Canada?

Kay: Mainly Oregon and Washington. I don't think we got up much further than that. While we were on that trip we heard that the mother of another one of our friends had died of a ruptured appendix. And they felt that the doctor was to blame for it. So at that time I made up my mind. I thought, "Well, by gosh, I'm not happy about the idea of just making money running the store all my life." I didn't think that would hold my interest. So I started thinking that I would like to go into medicine, but I really had not had scientific courses or anything similar. I didn't know if I would be any good in science. But I decided that, "By George, at least I would be conscientious, and I wouldn't hurt anybody by neglecting them like that." So I made up my mind at that time that I was going to make a change. I started out in law because I thought that would be good for running the store.

Huth: Your friend was also in law, wasn't he?

Kay: That's right. But it was pre-legal. We weren't in the legal field yet. So I went back and I told my grandmother. I didn't know how she would feel about it. She was so tickled. She was so happy that someone in her family was going into medicine. She said they would find other people. My uncle could run the store, and she had got some assistance.

So I got started, and that year I was manager of the yearbook. That was my third year, but also I had to make up a lot of lab courses.

Huth: And that was your first year of taking the premed courses?

Kay: Yes. It was a rough year because I would have to have labs all afternoon, and I had to outline what my people would do that were working for me.

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Kay: So I got the yearbook job and that paid for a year of college.

Huth: You mean you got paid for doing the managership?

Kay: Oh, sure. You know, it's so interesting when you see that Stanford now costs twelve thousand dollars a year just for tuition, plus four thousand dollars to live. I lived and paid my tuition on twelve hundred a year throughout my whole Stanford career. That was my room and board and everything. I would also earn money in the summers; I counted on that. I had some money that my other grandparents left me when they died, and I invested that, plus what I made as a lifeguard every summer. I lifeguarded at the Los Angeles city pools when I was in med school. So I made enough money to pay for the things I needed.

Huth: Where did you live? What was your living arrangement in college? Did they have boarding houses then?

Kay: Just in the dormitories. I lived in Toyon Hall.

Huth: I went to Stanford two summers to their radio and television institute.

Kay: What year was that?

Huth: That was about 1952 and 1953.

Kay: I have two sons who went there. I was there from 1927 to 1932. I was ahead of you! I think it's interesting that it was so inexpensive then.

Huth: It's a lot of money now. I don't know if anybody could be the manager of the yearbook now and lifeguard in the summer and do it.

Kay: Well, I had some help. My mother and I bought a little flat, a four family flat, with the money my other grandparents had left me and some money her mother gave her. But my grandparents on my mother's side were the ones that made it possible for us to live as we did. Otherwise, we couldn't have, in those years, gotten by.

That's how I got into medical school. In those days it was easy to get into medical school. [laughter] I look at it that way because I was no genius. I mean, I had about a B average, and I had no trouble getting into Stanford Medical School. And that was when the first year was at the Stanford campus, and the last three years were in San Francisco.

Huth: Any particular hospital there?

Kay: Oh, yes, the Stanford Lane Hospital, the old hospital, in those old halls that we had. I thoroughly enjoyed Stanford. It was wonderful and I enjoyed it. I was no wizard, you know, and I worked my last two years at the St. Francis Hospital taking histories on patients that were admitted into the hospital, and I got my room and board through that.

Kay: I wasn't the top man in the class, believe me. I think I was just ordinary. At any rate I finished Stanford and I got my degree in 1932 when I finished my internship. Then I was two years at the L.A. County hospital and there our story starts.

Los Angeles: The County Hospital and Internship With Sidney Garfield, 1932 to 1933

Huth: How did you happen to go down to the L.A. County General Hospital?

Kay: Well, I wanted to be around Los Angeles, but also, one summer I decided I wanted to get some experience, so I gave anesthetics. I went as a student working in the anesthesia department, and in the mornings I would give anesthetics, and in the afternoon I would work as a lifeguard. It could be said that I would kill them in the morning and save them in the afternoons! [laughter] I was always impressed that there was a lot of interesting material there and that it was a wonderful place to train.

So I went there for the two years, and my roommate was Dr. Wally Neighbor. And Sidney Garfield was the head resident in surgery. So the three of us became very close friends. We played tennis together a lot, we dated a lot, and we were just close friends.

During that time at the county hospital is when a lot of our thinking started that gave rise to the Permanente medical program. Later, I am going to develop our relationship and what we did professionally, and that will naturally go into the formation of the medical care program. But I'll backtrack a little bit to say that during our dating we met many girls, and one of them was a nurse by the name of Martha Louise Orwoll. In my last years of training she was the one I dated most. I then went back to spend a year at Cook County in pathology, but when I returned we again resumed going together.

A Look Ahead at the Polio Epidemic in 1934; Marriage, and Children

Kay: Finally in 1934, as I was starting to go into private practice, which I'll come back to later, Martha Louise Orwoll developed poliomyelitis and was very ill. She was one of two hundred doctors and nurses that developed polio.

Huth: In that hospital?

Kay: In that hospital. I left my private practice and came back to take care of a lot of doctors and nurses from the medical point of view.

Huth: Was it almost like an epidemic in the hospital?

Kay: It was a big epidemic.

Huth: Was it at other places in Los Angeles, too?

Kay: Yes, all over Los Angeles, but never had there been so many doctors and nurses having it. I would be working at night and a doctor or nurse would phone and say, "Ray, I think I've got it." They would bring them in and I would see them.

I worked and took care of the medical side, and a fellow by the name of Vernon Luck was an orthopedic resident who took care of the orthopedic needs of these people. He later became head of the orthopedic hospital here in Los Angeles.

At any rate Martha was extremely ill, was in the hospital about three years, and was in braces, and the like, for about five or six years. But she went on out to UCLA and took a public health course to qualify as a public health nurse, even when she was in braces. When she was finally offered a job as a visiting nurse by the Pasadena Visiting Nurse's Association we felt that she had recuperated enough so we got married. We got married in 1940 or 1941.

We have had four children--three a year apart.

Huth: Was she left with any problems?

Kay: Oh, she was left with a lot of muscular-skeletal problems. She was in braces for a long time, and she gradually recovered over five years time so she could get around. But in 1940 she was well enough so that she felt that we could marry.

Huth: Did she work as a public health nurse?

Kay: Well, no. Then we got married, so she never worked.

So then almost within the year we went into the army. We moved all over the country, and during that time we had three children. We were on the wartime production; we were having one every year for three years. I have to do things in even numbers, so finally when I got back from India we had a fourth child, so that's when we got Mary, our youngest.

So we have two boys and two girls. And the two boys are doctors, and neither one of them are with Permanente. One of them is in upper New York State doing private family practice. He's got his boards in family practice and pediatrics. And the other one is in Portland, and he also has his boards in family practice. I have two girls. Karen, the oldest, has a husband who is manager of the health plan in Denver, and my other daughter Mary, and her son, Brendon, live with us in Upland. That's her little boy [points to a photograph]. She's divorced and she teaches pre-kindergarten school.

Huth: How old is the little boy?

Kay: He's thirteen.

More on the Internship: With Sidney Garfield and in Chicago, 1931-1933

Kay: Now to resume the saga of Dr. Sidney Garfield and I going through our training and the ideas that we developed during those years. During our years when I was an intern and Dr. Garfield was head resident, in addition to doing athletics together and dating together we also enjoyed working together medically.

When he was on duty at night as a surgical resident seeing all the acute abdomens and other acute cases, I would very frequently join him, and I learned a tremendous amount. Likewise, he would spend a lot of time with me in my medical wards and we would learn from each other. And we felt that one of the wonderful things about our training was that we learned from each other, that we shared our patients, and shared our knowledge, and learned a great deal. And we thought, "Wouldn't it be wonderful if we could practice medicine that way, and have that fellowship and that learning develop from each other?"

At the same time we were very impressed with the fact that there were no economic blocks. Whatever the patient needed we could do for them. Whatever we needed--the labwork, the X-rays, or to diagnose them, or to treat them--we were able to do, and there was nothing that stopped us. That seemed to be wonderful. We then started thinking, "Wouldn't it be wonderful if we could really practice as a doctor with a group of doctors where you could share knowledge, and share experience, and share patients, and where you could take care of people with no economic blocks?" So I reckon way back there we were dreaming of it a little bit.

Well, then I went on back to Cook County, and I came back in 1934.

Huth: That's Cook County General Hospital in Chicago?

Kay: Yes. When I came back in 1934 the Great Depression had started. And Dr. Garfield had finished his residency and he wanted to take more training, but he had to go out and make some money because his folks were in trouble financially. So in 1933 he heard through some other interns that they were building this Metropolitan Aqueduct to bring water from the Colorado River to Los Angeles. And they needed some medical care out in their Desert Center out where the workers were. So he borrowed money to build a little ten-bed wood frame hospital, and he went out there and started to give care.

Kay: Well, Dr. Garfield set up this little hospital at Desert Center, and he wanted me to join him at that time, but I couldn't do it because I thought it was going to be industrial medicine and I'm an internist. Besides, the girl I was going with, who later became my wife, still had polio, and I liked teaching at the university.

II MEDICAL PRACTICE, WORLD WAR II, AND WORK WITH SIDNEY GARFIELD, 1934  
TO 1945

The Desert Center, 1933 to 1938

Kay: When the polio epidemic was over I went into private practice out on Wilshire Boulevard and later in Beverly Hills. But I spent half time teaching at the county hospital and the other half time doing my practice. I didn't want to leave that practice, or the teaching, or the girl who had polio. So I didn't go out [to the Desert Center hospital] with Sid. Besides, I thought it was pretty much industrial work. But I was very interested, and a lot of our thinking took place at that time, and we continued our planning.

Huth: Did you see him often?

Kay: Oh, yes, all the time. I would go out and visit him out there. We kept talking about all our desires and we said, "Wouldn't it be great!" It was our thought that, boy, if I went out there with his surgery and my medicine, you know. But I couldn't do it.

Huth: Did he find an internist to take your place?

Kay: Oh, he added different doctors, and one was a doctor in that little town out there, Indio, who had been a resident of ours at the county hospital.

Huth: So he developed a staff.

Kay: Yes, and then one of the residents from the county, who was there when we were there, went out with him for a while in the desert.

But our interests continued. We were the closest of friends. I was interested in everything he did, and we were still talking about someday hoping to have an organization, you know, of being able to do something like we talked about.

Kay: Well, whenever Sidney was with a nurse too long, well, pretty soon he was going with her. But he wasn't going to have any [women] nurses out there. He was just going to have men--men nurses, but finally he got a nurse--Betty Runyon. Betty became his nurse, and he started going with Betty at that time--gradually. Betty and Martha, my wife, became very good friends. And they had to have a nurse live with Martha because she was an industrial accident patient. So Betty stopped the job out there and lived with Martha, my wife. But finally Sid felt he was not ready to get married yet, so he sent Betty to the Hawaiian Islands. She married someone else over there. We've since seen her--I haven't seen her recently, but we've seen her over there. That's a little tangent.

But Sid went ahead with his set-up out there, but he was having problems financially for two reasons. In the first place, as to the industrial accident cases--they would bring them to his little hospital. But as soon as they could move them they would move them in to their surgeon in Los Angeles. So the result was he really didn't get to take care of them and he didn't have any income to depend on.

So a Mr. Harold Hatch, who was the president of the Industrial Indemnity Exchange, suggested to Sid that he offer to take care of all the industrial work for seventeen and a half percent of the premium dollar.

Well, he did that. That was accepted and it was wonderful. He had that much money he could count on. He could do preventative work. He went out, and he had people go out into the tunnels to make sure they were well-fixed and to prevent accidents. As you may know, most industrial cases hang on and on and on. But it was to his advantage to get them well and back to work as soon as they could, so this made everybody very happy and it was very successful.

Then he had a second problem. That was that the men that were out in the area who got sick that were not industrially covered would also come to his hospital. But when they were well they didn't have any money to pay for their care, so he was going broke again. So again Sid said, "Well, the prepayment works so well with the industrial, let's try it on the non-industrial," and that was the birth of our health plan.

Huth: Whose idea was that?

Kay: Well, I think it was Sid's and maybe also Mr. Hatch's. Mr. Hatch was a lovely guy. I took care of him when he was in town.

There were other health plans in the country at that time. We were not the first of any size. And Ross Loos was right here in Los Angeles. As a matter of fact Ross Loos tried to sell us their whole set-up once.

I think the rate charged by Sid was ten cents a man per day, and the man would have to agree to it, and I think they took five cents out of his pay, and five cents out of some other fund. But at any rate this worked great, and it was the start of our health plan.



Kay: Well, then they built another hospital out there--further out, and I think they had two hospitals in all, but it worked fine. My wife, Martha, and I would go out and visit him, and I've got pictures of her with her arm in a splint, you know, because she couldn't move that arm; it would just flail. We visited him and we talked. In the meantime I'm still in private practice and teaching.

Grand Coulee Dam, 1939 to 1940

Kay: Then, in the meantime, the Metropolitan Aqueduct was completed, and Dr. Garfield had planned to go back to get more training. Just as he was about ready to do that and he was selling his hospitals out there Mr. Edgar Kaiser asked him to come up and set up a medical care program at Grand Coulee Dam in Washington. The Coulee Dam was done in two sections. Some other companies did the first part, and then the Kaisers took over, and when they did there was a ninety-bed hospital there. As I said, Henry Kaiser, Sr.'s son, Edgar Kaiser, asked Sid to come up and do it.

Sid was up in Portland and he didn't want to do any more. But Edgar Kaiser asked him to come out to the house to see if one of his kids didn't have measles. So while Sid was there they talked him into it.

So he then started that project there. And that's where Cecil Cutting came in. Cece was at Stanford, and Cece was brought up as a surgeon. And he had a number of other guys. I don't remember the names of all of them, but I was still interested in the project.

Huth: Were you asked to go up there?

Kay: No, I couldn't.

Huth: But did he discuss it with you?

Kay: Oh, we discussed it a lot. We thought, "Wouldn't it be wonderful!" But I wasn't going to give up what I had here, and we wanted to do it in southern California anyhow. We'll come to that later.

So he really set it up, but then he wasn't needed. Oh, and incidently, out in the desert there were mostly single men workers. They didn't have families, but at Coulee Dam they had families.

##[end tape 1B, begin tape 2 side A]

Now, this plan was set up for the families as well as the workers. But inasmuch as they had a surgeon up there, Dr. Cutting, Garfield didn't feel he was needed, and he wanted more training still. He went back to the county for experience.

Kay: The chief of surgery for the University of Southern California (USC) was Dr. C. J. Berne, Clarence Berne. Clarence had been a classmate of Sid's at Iowa where Sid went to school. So he and I concocted the idea together: "Let's get Sid to come on back as a teaching resident at the county." So we set up that program, and Dr. Garfield left Coulee Dam. He still was in charge of it, but he would only go up once a month for a day to be sure everything was all right, and he came back down to the L.A. County General Hospital as a teaching resident.

So here Garfield and I were together again, and we started out thinking and dreaming all over again. Again we started going on rounds again, too. I wasn't married yet at that time.

Huth: Do you know about what year that was?

Kay: Well, it must have been about 1939--I would guess.

Huth: Before the war?

Kay: Oh, yes, before the war, because I was teaching now, and I don't think I had gotten married yet--about 1939 or 1940 I think it was. But let me backtrack a little.

I was very conscious now--not alone of the need for care with no economic blocks, but I was also conscious that there was a poor distribution of doctors in the country. And I saw the poor medical care that came in from the country, from rural areas. And I saw our good residents and doctors go to waste on Wilshire Boulevard. They would go down there and they weren't needed, and pretty soon instead of at the lunch table talking about interesting cases they were talking about the stock market and how much it cost to take care of people.

So I was concerned. I said, "What can we do to get people to go into the country instead of out on Wilshire Boulevard, so you get the proper distribution?" So the Dean of Medicine of the University of Southern California at the Los Angeles County General Hospital, Dr. Burrell O. Raulston, knew of my concern. I worked with him. So when I went back to take my American Boards as a specialist in internal medicine at Cleveland he said, "Raymond, why don't you go back to New York and talk to the Commonwealth Fund because they are very interested in trying to get doctors to go into the country." At that time they would pay a fellow's way through school if he would promise to go to a small town or something similar.

But what happened is, if they had to do it, they never wanted to do it. They would always pay it back or stay just a few years.

Huth: Can you tell me more about the Commonwealth Fund?

Kay: Well, it still exists. It's the Commonwealth Fund. It does a lot of charity.

Huth: Is it connected with a family, like the Rockefellers who have the Rockefeller Fund?

Kay: Not that I know of.

Huth: Do you know where their money comes from?

Kay: No, I don't.

Huth: But are they mainly interested in medical things?

Kay: I think so. I don't know. But I know they were interested at this time in getting a better distribution of doctors to poorer areas. And they were finding that the best way they could do it was to build some facilities in a small town, and then get a resident there. And that resident with good facilities would stay there. And that's what they were doing.

I came back. I was all excited. I thought, "Well, this might be the beginning of our dream." In other words Garfield had all of these industrial connections, and I thought maybe we could use Garfield's connections to start industrial projects, and to start a medical group with industrial projects, and gradually develop out to doing care of people.

So I came back very excited to tell Sid. Well, he wasn't particularly interested at first. Then one day about a month later, after I had left the literature and all the stuff around, I came to do rounds on my teaching wards and here's Sid--he's all excited, "God, if we can start this thing, Ray, maybe we could get some money to start a hospital in some place where they have some industry, and then build up our groups."

So we were both excited about it, and this is what I was aiming at. So we talked to the Industrial Indemnity Exchange and they were considering backing us with our first hospital.

Huth: Was it Mr. Hatch you talked to?

Kay: Yes, just about that time I got called into the army. That was in December, 1940. I think I got married first, about January 1941, right in there, and then I got called into the army.

#### World War II and Kaiser Permanente North, 1941 to 1944

Kay: I was a reserve officer, so I therefore went in as a lieutenant. And Dr. Garfield was a member of the USC unit, which was a going thing--and then eventually he joined along with the USC unit as they were going to go into the army.

Huth: You weren't in that USC unit?

Kay: I wasn't in that. I was a reserve officer already, so I went in before the war.

After the war started in 1941 they called the USC unit in and Garfield had his uniform, and he had an overcoat to buy. Then Mr. Kaiser started building ships, so he asked Garfield to come out and set up a health plan for the shipyards in Washington, and Oregon, and in the Oakland area.

I was up at Letterman General Hospital [an army hospital] in San Francisco, and Sid would come up and he lived with us while he was there, and we talked over whether he should go with the USC unit or stay and set up this plan. We did a lot of talking and thinking, and we realized that, "Heck, this was the chance for us to start what we wanted to do." I think a lot of this was my idea, but, you know, your ideas really come from people talking together.

But we said, "O.K., if we can start with these shipyards and make it really economically sound--in other words take care of people, make money with it, and put that money into a trust or into a tax free foundation--it might work."

Huth: Where did you get that idea of the tax free foundation? Was it through your mutual thoughts or from the Commonwealth Fund?

Kay: Well, I don't know, but what we said was, "Don't pay high salaries." I was very much against paying doctors any more than I got in the army. I said, "Pay them what they'd get in the army. It's not fair for them to stay at home and get all this money." My salary at that time in the army was \$350 a month.

So I think we both thought of doing this--trying to run them economically and then putting the profit to a nonprofit organization, with that money to be used to pay back for the hospital and things they'd already built, and to have money to start new ones in southern California and throughout the state.

Sid took that idea to Mr. Henry Kaiser, Sr., and Mr. Kaiser thought it was a great idea, and we set up the Permanente Foundation as a nonprofit organization. The hospitals were turned over to that foundation, and Dr. Garfield would hire the doctors as Dr. Garfield and Associates, and he would pay the foundation for the hospital, and I think he was paying \$20,000 a month. But if he had any extra money beyond that he would put that in and pay them thirty thousand or forty thousand, whatever he could pay them, every month. That was to build up this foundation which was to be used to build our facilities throughout California.

Huth: Would you say that the two of you jointly got the idea for the foundation? We are trying to find out where that came from. I found a reference to it in the preface of your book--Dr. Kay, here in this book that you wrote,

Huth: Historical Review of the Southern California Permanente Medical Group, in the preface signed by Dr. Garfield, he said: "Since Dr. Kay participated significantly in every step of Kaiser Permanente's development, since he was largely responsible for the concept of our nonprofit entities, and since his unswerving persistence against strong opposition was the major reason for Kaiser Permanente's expansion into southern California, it can truly be said that the southern California region exists in his shadow."\*

So he gives you credit there for the concept of the nonprofit entities. Could you comment about that?

Kay: It's really awfully difficult to say how an idea originated. My feeling is that this idea that he gives me credit for was actually a result of our reading and getting ideas from other organizations and the discussions that we had together, rather than the product of any one of our brains.

Huth: Was it a mutual idea?

Kay: Yes.

Huth: You said that Garfield hired doctors and paid the hospital \$20,000 or more. If he got \$30,000, he would use that to build more hospitals. How did this work?

Kay: He used it in order to build up the foundation so it could pay for the facilities they had and to build the new ones in southern California, which was my emphasis also.

Huth: Were you all for it because you were interested in getting going in southern California?

Kay: Yes, well, I wanted to see the whole thing progress. You know, I always wanted to see it. I wanted to see the dream come true. But we said this was the beginning of our dream; this was the opportunity we'd been looking for.

So he went to work making the operation economically sound and building up this foundation, and I'm sure that he utilized so much of his energy in this that it probably was a factor in his marriage not eventually working out.

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\*Raymond M. Kay, M.D., Historical Review of the Southern California Permanente Medical Group: Its Role in the Development of the Kaiser Permanente Medical Care Program in Southern California (Los Angeles: Southern California Permanente Medical Group, 1979), vii.

Huth: Whom did he marry? He didn't marry Betty?

Kay: No, he didn't marry Betty. It was Virginia Jackson. They came down to where we were [stationed] in the army to get married. We were in the army in Stanton, Virginia, and Virginia came down and spent a month or so with us, and then Sid came down and they got married. We were their best man and bridesmaid. She was a lovely girl. I'm sure that, as in so many cases, the fact that he was so busy building this up may have been harmful to their marriage.

Huth: Do you know how long they were married?

Kay: It was in 1942 or 1943 that they got married, because we were in Virginia then. Then they got divorced sometime after we got back, and I got back in 1949.

So when Garfield was doing this, I was in the army for over five and a half years. And during my years in the army I was constantly looking for and talking to doctors about the possibility of working in groups on a prepayment basis. And incidentally, one of my top men that eventually joined us was Dr. Fred Scharles, who was trained at Harvard and Washington University.

We met in the army at Stanton, Virginia, where I was assistant chief of medicine. We became very close friends. He went with the Kabat Kaiser Institute when he came out of the army, but eventually he joined our group in Oakland, and then he came down here with me as soon as I joined Permanente.

But I found that during these years in the army when we sat waiting to be sent overseas or were coming home that most of the young doctors that now were pulled up from practice and had no economic ties were as interested as I was in working on a prepaid basis, with no economic blocks, in a group of doctors where they could develop together. A lot of them wanted to do this when they came back from the army, but there was no place for them to go. So they went back into private practice on a fee-for-service basis.

#### Army Medical Service in India, 1944 to 1945

Huth: We haven't covered India. You didn't tell me how you happened to go to India.

Kay: They sent me there. [laughter]

Huth: Did you go directly from Los Angeles or were you at some other place?

Kay: They lost me for six or nine months.

Huth: They lost you?

Kay: Yes. I was assistant chief of medicine at this big army hospital in Stanton, Virginia. And I had just gone to tropical medical school in Washington, D.C., and I was called back at the end of that to go in as chief of medicine of a big army hospital. I got back to Stanton, and they sent me up to Fort Lewis, Washington, to wait. There they had decided that instead of sending me to that unit, which was going to Europe, they wanted to use my tropical medical experience and background, so they had another unit they were going to send me to.

I waited, and I waited. One hospital unit would go out and they would ask for me, and, "No," they had a special project for me. They kept doing that for six months. Then finally I said, "This is ridiculous."

Huth: What were you doing, just sitting there?

Kay: I was sitting there, and I would help train new guys. We'd have to set up a big hospital out in the snow. So I'd been doing that all this time.

Finally, somebody from the surgeon general's office came out and he said, "Oh, God! We lost him. Oh, we want him right away for an assignment."

So they flew me back east and flew me overseas. I got to Karachi in Pakistan, and there, the guys from the USC unit, in the meantime, had been up in Burma. They started coming back on their way home, and they'd laugh, and they'd say, "Oh, God, you're lost again." I was supposed to be the chest surgeon for the University of Pennsylvania's unit up on the Burma Road, but I was the wrong Kay.

So here I was stalled again. So finally after about a month in Karachi they sent me way up in the Assam, which is right up on the Burma border near the Burma Road. It's up in the tea patches.

So I was sent up there as assistant chief of medicine. But the guy there really wanted to go home because his wife was ill or something. So pretty soon he got to go home, so I became chief of medicine at the 232nd General Hospital.

It was a big old British hospital. And I had about a five hundred bed service. It was a lot of fun. I enjoyed it. We lived in tents, and the old buffalos would come up and sniff at us all the time around there. And it was near Chabau, India. That was where all the planes would take off and come in to go over the hump to China. So we'd have a lot of them that would crash around there, and we'd pick up the pieces. I enjoyed it there. I had a good time and a good service.

But then they wanted to make a surgeon the commanding officer of a big hospital down at Kanchipura, just outside of Calcutta. They had to find a chief of medicine who was low enough in rank to be equal with this guy, so I was the lowest one in the area.

Huth: What do you mean "lowest?"

Kay: Well, lowest in rank. I was just a major and this guy was a colonel, but he was a lieutenant colonel. So they made me a lieutenant colonel right away, but sent me up to this hospital outside of Calcutta. So then I became chief of medicine there, but I really was waiting to go home by now because the war was over. But it was fun.

But there was a poor guy there that had hoped to be chief of medicine. So since I was just waiting because I had enough points to go home I took the [duty in the] venereal disease ward--because they had so many young guys that had little lesions or little ulcers on their genitals. It had come from being up in this country where they had been with these small women, and they would be hurt, but they couldn't send them home until it was cleared up. So I went all over trying to learn from other guys how to clear these poor guys up because they were just sitting there waiting to go home. I took care of that service and I would consult when this guy needed it, but I let him be chief of medicine until I left.

I had a good time. I enjoyed India; I enjoyed my service there.

Huth: Did you travel around in India?

Kay: Not a lot. I did when they gave me orders to go to Calcutta from Assam. Instead of going by plane, I went by train. And it is about as far as from San Francisco to L.A. It took me two and a half days. You slept on a board on that train, and people would try to climb in on you to use the same board. I had the best place there was and all it was was a board. You threw blankets over yourself. Suddenly the train stopped, and then you had to change trains because they ran on narrow tracks some places and wide tracks in others. But it was a fun trip, and I enjoyed it. I enjoyed every part of it. It was a lot of fun.

Huth: Did you make any friends there in your medical work that later continued to be friends or that came to work for Kaiser? Did you make any fairly close friends in India?

Kay: No. Dr. Scharles was a special friend at Stanton, Virginia, but there were none in India that became Kaiser Permanente doctors or close friends. We talked, but none of them really joined. I wasn't anyplace long enough.

Huth: These were all short periods of time?

Kay: I was in India a little over a year. The war had ended by then. The war ended while I was up in Assam still.

Huth: Would that have been about 1945?

Kay: Yes, 1945. I got home in 1946.



## III POST WORLD WAR II MEDICAL PRACTICE, 1945 to 1949

Huth: We've covered the World War II activities. Now, we need to know what you did when you came back in 1946.

Kay: When I came back the question was: should I go back to the practice in Beverly Hills or do something else?

Huth: Is that where your practice had been located, in Beverly Hills?

Kay: Well, yes. It's kind of a cute story. We were up in a medical building across from the L.A. County Medical Society on Wilshire Boulevard. Then I went out as one of four doctors for a joint practice set-up in Beverly Hills. I was the youngest one of the bunch. The head of the clinic was a rather prominent internist in town, Julius Kahn, and Julius built this building out in Beverly Hills. So we were all moved out there, but I knew I was going to go into the army, so I wasn't really into it.

Everybody fixed up their offices so beautifully, you know. And it was such a lovely set-up, except mine. I borrowed a rug, and I borrowed a desk. When they had open house everybody would show them around, and they'd show them my office and say, "And this is where we see the clinic patients. This is where we see the poor people." [chuckles]

Huth: Was that office there for you the whole time you were away? Did they keep the space for you?

Kay: Yes, they kept it, but they knew I wasn't coming back.

Huth: You didn't come back to that?

Kay: I didn't come back to that. No, I knew I wanted to do this prepaid thing. That was what I was set to do. I knew if I went back into that practice I wouldn't do it.

Full Time Teaching and Coordinating a Residency Program: USC and Los Angeles County General Hospital

Kay: The University of Southern California and the Los Angeles County hospital offered me a job teaching students, and developing a residency program for returning doctors. So the government paid so much per month to train these doctors. We took that money in, and we set up this program for the guys. We trained about a hundred and fifty residents at a time.

I organized all that and ran that teaching program, and I also had a teaching ward. I made about six hundred dollars a month. Later, I got a lot of my Permanente doctors from there.

But it was fun, and I enjoyed it, and I learned a lot, and this was what I was doing. As I was doing it I would develop good friendships with my students and my people, and I was playing with this prepaid medicine idea.

I sent Dr. Alvin Sanborn when he finished his residency out to be head of the Kaiser company hospital at Fontana. I sent a surgeon by the name of Tom Gibson out to Fontana also, and then later when we started [the Los Angeles facility], quite a number of the fellows joined me, and I'll come to that later. But those two I sent out there.

#### IV KAISER PERMANENTE HEALTH CARE COMES TO SOUTHERN CALIFORNIA, 1942 to 1951

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##### The Fontana Plant Hospital, 1942 to 1949

Kay: Dr. Garfield had set up a prepaid plan for the Fontana Kaiser Steel Mill workers in 1942. Later, every time Dr. Garfield would come to town I'd go out to Fontana with him, or if they needed a "consult" there, I'd go out. If there were any problems I'd go out.

Huth: What year was that?

Kay: Well, in about 1948 and 1949. I might regress here to say that, at the county [hospital], our offices were in an old barracks building that we put in at the end of the hospital, and I had two secretaries. One of them was a woman by the name of Mildred Robertson, who had a little eight-year-old girl, and who was divorced. At any rate she was one of my secretaries. They later had her in charge of the whole postgraduate education program, which was much broader than my residency training had been.

I tell about this because since I first went to Fontana and in the subsequent years she has been a very close part of helping to develop our Permanente medical group.

At any rate Fontana at that time had a health plan for the steel workers, and that was fundamentally all. There were about eighty-five hundred people, and they had about eight doctors there. Dr. Garfield would take care of it from a distance.

## Representing Garfield: Problems at Fontana, 1949

Kay: There was another doctor, a Dr. Jules Plaut, who was a well-trained surgeon from Yale, who felt they were not doing as good medicine as they should, and he felt that Garfield wasn't there enough of the time, and that Sanborn didn't have the needed responsibility. So he got the union behind him, and a fellow from the union by the name of Bill Brunton, and they were saying that Garfield and Sanborn should be out of there and that Plaut should be running it. So it became a big issue. They were having meetings between management, and the union, and Dr. Garfield. Sid Garfield asked me to go out and join him in the meetings, just to listen.

Well, as they went on I got into more and more of the meetings. At the end of them Sid Garfield asked me if I would go down to Fontana, not as medical director to replace Sanborn, which I would not do, but to go down to be his representative, and that anything that I said should be done would be done. So I did.

It was a funny thing, leaving the county hospital with its thirty-two hundred beds and going to this little fifty-bed hospital. I thought, "Am I crazy?" But it was no time before I was excited.

Huth: At this point, you had actually quit the job you had at the Los Angeles County General Hospital and moved to Fontana. How was it when you came in? What were the terms of your employment, and what was your status?

Kay: Well, what Dr. Garfield said is, "I want you to be my representative, the head of the health plan in southern California," and that anything that I wanted to do to improve the care, to do it. He said that I had the responsibility to do it and that this was hopefully the start of our program in southern California.

Now mind you, we had no support from Mr. Henry Kaiser, Sr., at all to do this. In fact, he wasn't at all interested in starting in southern California. He just wanted to take care of the steel mill, but he didn't care about anything more than that. At that time he really wasn't very interested in the health plan. We'll come back to that later.

So I moved in, and as I say it was quite a shock to come from the county hospital, a big organization and everything, to this little bitty thing, but it was no time before I was excited as could be and interested in the challenges.

Our first big challenge was to get both the management and the union to have confidence in us. There was a lot of politics in it. We were helped a great deal by some people in Kaiser's management and some health plan people. I can't think of all the names now.

Huth: Were they health plan managers and hospital managers?

Kay: No, no, by the controller at the steel plant, a fellow by the name of Frank Scarr, and especially by a representative of the health plan, Bill Emblem, who was very close to the union. He became a preacher. He was very close to the union because he was an important member of it. These two people helped us tremendously, and the first couple of years were really rough because we had to get the confidence of both the union and management. And we also had to improve the quality of our care.

At that time we had one O.B. man [obstetrician], several internists, several surgeons, one pediatrician, an ear, nose, and throat man, an X-ray man from an outside hospital, but no eye man. So it was a small staff.

At that time I had a house out in the San Fernando Valley. So I left my family there, and for six months I lived in the hospital in a little broom closet that we fixed up as a bedroom.

Living there I really saw what the medicine was like. I was very unhappy with the caliber of the medicine that we were giving at nights and the like. What we had were these six or eight doctors that worked in the daytime, but we hired general doctors from around or residents to work at nights and on weekends, and to see walk-ins and people without appointments, and their medicine just wasn't good. I was very unhappy with it.

I therefore decided that we had to get rid of them, and that we had to take turns doing the night duty. In other words we had to have our good regular doctors there to see people at all times. So Dr. Sanborn and I decided that we were going to dispense with or not have any of these men from outside, and the staff was going to take turns doing night duty and walk-ins.

Well, about half the guys said they wouldn't do it. So we said, "Okay, find another job." We said, "We'll get other guys to replace you. In the meantime we'll do the night duty."

So really we were on every second or third night. And what we had to do was to set up a medical team and a surgical team. The medical team was pediatrics and general medicine. So a pediatrician, or Sanborn and myself would be on. We had to take care of the babies too, and that scared the hell out of me. [laughter] I hadn't done that a lot. But we learned. And the O.B. man, and the surgeons, and the ear, nose, and throat man were the surgical team. So we'd have both on until ten o'clock, and then one guy would stay on overnight. When we stayed on overnight, I tried to do everything I could. A couple of times I had to deliver babies. I had to sew up a lot of wounds and everything. Then to replace these three or four men [who left] I got another surgeon, I got another pediatrician, and then another internist. Dr. Fred Scharles was

Kay: down with us by this time. He had come down from up north in 1950. At any rate we weathered the storm. We just were on [duty] real frequently until we got these other men. And then it still meant pretty frequent extra duty, but it was O.K.

So now we were getting the confidence of the union and the confidence of the management. We were now improving our medical care, and we wanted to be independent of the union in that we wanted more membership than the union provided. So we diversified our membership and we started spreading out around the area. We got much more membership and got much better at providing medical care.

Huth: What did you open it up to? What other groups did you include?

Kay: I don't remember what groups--just school groups, government groups.

Huth: Not necessarily other unions?

Kay: It could be anybody. We just diversified the membership so that we were not dependant upon the union alone because it was a horrible feeling. They could shut us down and they were used to that kind of thing. We were babes in the woods.

Huth: Did it give them too much strength?

Kay: It sure did.

When I went down there [to Fontana] I believed in this [concept], but I really worried. I didn't want anybody--and I never do--to affect our control of medical care, and I was afraid of the union, I was afraid of management, and I was afraid of the Kaisers. I thought they would try to dominate us, tell us what to do.

This union chief, Bill Brunton, had an optometrist [friend] that he wanted to get in. So the references I had on him were good, that is, to fit glasses. But when we finally did get an eye man to come down a couple of days a week to take care of cases, he felt this optometrist was no good.

So I told Bill Brunton, "He'll have to go." And Bill Brunton says, "Oh, no you won't." And he says, "He's going to stay in here." And I said, "Well, he isn't." And we argued for quite a while. And he says, "Doc, this is one I'm going to win because I'll go to Mr. Kaiser on this." And I said, "Well, Bill, if you go to Mr. Kaiser and he interferes, all of our doctors will walk out." "Oh," he says, "So you're going to strike on me, huh?" I said, "It's that important to us. We cannot have anybody interfering with our medical care."

Well, it worked out very simply. I said, "I don't care if he makes money. He can sell the glasses, but he's not going to fit them. In other words, he's not going to do the medical part." So that worked out all right.

Kay: But we established the principle there that nobody can interfere, that doctors have to control the medical care, and that was very important.

Huth: Did this precede the medical group partnership idea? Was this way ahead of that?

Kay: Yes. I wanted to be eventually on a partnership [arrangement], but I didn't want it until I had a good staff. And I wanted some good men, and I didn't have them yet.

Huth: Did they have the partnership up in northern California?

Kay: They got that in 1948.

Huth: Was that about this time?

Kay: Yes. Sid and I had dreamed of partnerships all the way through. But I didn't want it until I had a good group because I didn't want any poor partners. I didn't have that many good doctors at Fontana.

We also learned another principle with those doctors working at nights--that we should never have a doctor working for the group or caring for our patients that we didn't feel was the same caliber that we are. And I said it in my speech, "Principles."\*

[rustling of papers]

[reading from his speech:]

"The first thing that medical care must be responsible for is the physicians in their medical group. We recognized that the practice of any physician in the group represented all of us and that we could not allow physicians of questionable caliber to care for our patients."

So we spread our membership, we got our night duties and all our time done by our regular staff, we increased and improved the staff, and we added thirty-five beds to the hospital at about that time.

Huth: So that made about eighty-five total beds?

Kay: Yes, and we spread our health plan by then.

Huth: Do you know approximately how much it had grown? Had it grown by another half or so?

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\*Raymond M. Kay, Kaiser Permanente Medical Care Program: Its Origin, Development, and their Effects on its Future, speech given January 28, 1985 at the Regional Conference, p.7.

Kay: Oh, yes, at least half.

Huth: So it had grown considerably.

Kay: Well, eighty-five beds. Let's see. Fifty beds would be two beds per thousand. Yes, I would say it had grown by about twice as much.

Huth: Did you figure the number of beds by the number of members you had then? Did you have some way of calculating it?

Kay: Roughly we used to figure we needed two beds per thousand members. But with the steel plant and all the industrial cases, we had more than that. It's between one and a half beds per thousand to two beds per thousand. We'd like to be at the two beds level. I don't know what they're doing now.

Huth: At that time that was the way you allocated it.

Kay: Right, so we were plugging along and we were expanding [our membership], and we were expanding our staff. We developed a full-time eye man and a full time X-ray man. We developed a full time staff of about twenty-five doctors there for about twenty-five or thirty thousand people.

Then, in 1951 or 1952, I think it was, we decided we needed more beds. But instead of building more at the steel plant we decided we ought to be building in Fontana.

So we started looking in Fontana--Dr. Garfield, Dr. Sanborn, myself, and some people who had lived there for a long time--and we chose this site where the hospital is now. We paid twenty-five thousand dollars for fifteen acres. There was almost nothing there then. Dr. Sanborn and I said, "Oh, boy, if we had enough money to buy some of the land around here it would sure be a good investment." But we didn't have it. Now you pay twenty-five to forty thousand dollars an acre around here.

But we bought this land and we built two wards--one medical ward and one O.B. ward. We ran it as part of the other hospital, and we'd bring all the food down there and everything. So we had two hospitals--the hospital at the mill and the hospital in town at Fontana--and we ran them as one.

Well, then we realized that this was uneconomical. We decided that we ought to tear the one down at the mill, and build a new clinic and everything around the two wards that we had at Fontana in town.

I told Sid, "My staff is on me, let's get going, we need the beds." Then Garfield came up with an idea and he said, "Ray, instead of building more beds which cost about twenty thousand dollars a bed, why don't we just pick up this hospital in nine pieces and move it six miles down there."



Kay: I said, "Oh, Sid, you're crazy. You're just stalling!" And I fussed with him about this. But the more I thought about it the more I thought it was a good idea because we could move eighty-five beds and three surgeries for eighty-five thousand dollars which was under a thousand dollars a bed. So I then went to my staff and suggested this, and they gave me the same thing. "Oh, Ray, you're stalling. That's ridiculous."

To make a long story short, we did it, and it cost us about a thousand dollars a bed. What we did was we built a corridor from the new wards, and we put the old beds down at the other end of this corridor. Then as we went along we filled in along the corridor with X-ray, with labs, and different things, and we had a beautiful set-up for very little. From then on we were at Fontana, and we closed up the whole thing at the steel plant. I'll bring you some pictures to show you that.

We've been building ever since. That brought it up to about a hundred and fifty beds. Now it's about four hundred and fifty or five hundred beds. So that was Fontana.

Huth: That's an interesting story.

Kay: Then we move on to the next place.

Huth: Would that have been a period of about four or five years that you were at Fontana?

Kay: Yes, oh, we're still there. I see patients there. All the years I was medical director I always saw patients one day a week down at Fontana to keep my hand in medicine. We're still there. I see patients two days a week now.

#### Harbor City Hospital, 1950

Kay: Then in 1950, the longshoremen wanted a health plan program for their people up and down the coast. So they asked us if we could do it in this area.

We needed some facilities in San Pedro for the longshoremen. But we had much opposition from the doctors, and they were scared we were going to take their practices. I thought, "Well, I'll try just hiring part time doctors in San Pedro."

So I hired a real good bunch of part time guys.

Huth: Did they have private practices outside?

Kay: They had private practices. As a matter of fact they had a building and they all worked in that building.

So we hired them for half time. And it worked fine, except that the other doctors in the community made it so rough for them that they finally had to quit.

Huth: Why did they make it rough? Did they have any reason?

Kay: They were so against us--just scared.

Huth: Were they worried about losing patients to this group?

Kay: Sure, sure. Loss to the group, loss to us, and they didn't want anybody to encourage us. All doctors were against us. And as my friends in the Los Angeles County Medical Society said, "Ray, we don't question your medicine. Nobody questions your medicine. We know it's good because we know the standards you have. But the guys are scared that you're going to upset medicine for them. It's just economics."

Huth: Was it because they were worried about this clinic's connection with Kaiser? Was that part of it?

Kay: Yes. It was not Mr. Kaiser. It was just prepaid medicine. It was a prepaid group, and some people were saying it was socialized medicine. Some would say we were working for Mr. Kaiser. Some were just scared it was going to affect their practice. In other words they'd all have different reasons for being against us. But they were all against us.

Huth: Would they take the Kaiser doctors into the medical societies?

Kay: I'll come to that.

Huth: That's later on?

Kay: Yes.

Huth: You were already in the local society though.

Kay: I was already in. A lot of us were in, but they refused some of our guys. They refused them at Fontana and Los Angeles.

But these guys at Harbor Hospital were just scared. As a result, these guys had to pull out. Then we used their San Pedro community hospital. They let us do that, but I had to build up a full time staff, and we didn't have any place to go.

We were looking for facilities, and looking. We were down to within a week of the time when we'd have to let these guys go. Finally, we bought their building, and we moved in. They stayed in and did their practice, and we did ours.

Kay: We learned from that that you couldn't have part time doctors. You had to develop a staff whose sole interest was yours. We also found out that when you build a staff, the most important thing is a core of dedicated doctors. And that's what we did there.

We built up a core that included a fellow by the name of Buck Wallin, who had just come to us. He was going to work for us for about a year, and he worked for thirty years. There were several others, including Walter Cohen--

Huth: These are people that stayed a long time there?

Kay: Yes. He became chief of pediatrics. And Lynn Solomon, and a fellow by the name of Rollie Bledsoe, a radiologist. But we built a nucleus there, and then we eventually built our own hospital. And that developed into a swell group. But we didn't have enough money to do it all at one time, so we built one part, and then we built another part. And that was the Harbor Hospital.

We learned two things there. When we were having outside doctors, they were doing a lot of submucous resections--operations on noses. Once we got our own group we practically never did them. In other words they were just doing them for profit. So we learned those lessons there.

Huth: What you're telling me is that they did surgery that wouldn't necessarily have to be done in order to have the money coming in?

Kay: Well, I wouldn't say that. I don't think they were consciously doing it.

Look, how many of them take out uteruses? How many of them give shots for vitamin B? You get so that you think, "Well, it's not a bad idea. She doesn't need that uterus any more, and maybe not having all those problems is a good idea for her." So you know things aren't, "Oh, boy, here's some money!" You just lower your standards, or you justify your decisions.

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### Starting Up In Los Angeles

Huth: At the time when you came back from the army, and then you went to Fontana, did you make any efforts to get Kaiser to come down to the Los Angeles area to start a facility here?

Kay: We sure did, and I neglected to bring that out.

Kay: From the very first we were anxious to start in southern California. We had the foundation, the Permanente trust set up to build up funds, but it hadn't built up to the point where there was enough money to help in southern California. Also Mr. Kaiser was not interested in doing anything more in southern California than they had already done. And the northern [California] group had just opened up the health plan in about 1947, and then formed their partnership in 1948. They had no industry or anything to come from, so they were having tough going so they couldn't help us. So we really had to try to figure out things ourselves.

Dr. Garfield and I were constantly looking to see how we could start in southern California because that was our home. I had about twenty doctors who were willing to put in twenty thousand dollars each to start a group, but that wasn't enough.

Then we looked at the Temple Hospital, which was an osteopathic hospital that was for sale. We could have bought that for four hundred thousand dollars, but we wouldn't have had enough money to run it. So we had to just sit tight.

We also talked to Ross Loos,\* but they wanted more money, and then we didn't feel that was the way we should go. We were looking into every possible way.

So we finally came back, and we started on the small scale at Fontana and built on from there, building up Fontana, and then the harbor area, and then finally we came back to start in L.A., and that's where we'll pick up.

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\*The Ross Loos Medical Group, since taken over by another medical group.

# V KAISER PERMANENTE HEALTH PLAN IN LOS ANGELES, 1951

Huth: Was Los Angeles the most important thing to you? Tell me a little bit about how you got going on that.

Kay: It turned out to be the big step forward.

## Rapid Growth: Enrolling the Retail Clerks, 1951

Kay: In 1951 the large Retail Clerks Union, Local 770, asked us to expand our program to the Los Angeles area to care for their twenty-five thousand members. With this membership we were able to borrow sufficient money to plan and build clinic and hospital facilities. However, we had to lease hospital beds all over town until we could complete our two-hundred bed hospital in Los Angeles. We finished that in 1953. But during those intervening years, we rented twenty beds from the Methodist Hospital, and we had Midway Hospital, we had Culver City, we had hospital beds all over town.

Huth: Were they in areas where the retail clerks needed to have them located?

Kay: The retail clerks were all over. We just had to get beds.

And an interesting thing--the Methodist Hospital staff was afraid of us and against us. We had to have our men on the staff, and they finally arranged it. But while they were doing it, we had to have other people doing our surgery. There was one of the men doing our surgery whose father had originated the Methodist Hospital. But the other doctors were making it so hot for him that he had to quit. He said to me, "Ray, I had to quit. It was like a Ku Klux Klan meeting. It was just horrible."

Huth: Why were they so opposed? Was there a good reason? Was he a good surgeon?

Kay: Yes, he was an excellent surgeon. He was one of their top men. But they were just scared, and anything that included us they were against.

Kay: But we went on and did that all right, and we got this group. We assembled an excellent staff consisting of key members of our Fontana and Oakland groups, and a number of physicians who were well established in the Los Angeles community.

With the establishment of this Los Angeles medical center, the rapid growth of the health plan membership started. The effort to support this with staff and facilities has been our problem ever since.

Huth: I need to get the years.

Kay: 1951, '52, '53, and '54, right in there is when we really started expanding.

Huth: It was primarily through this large Retail Clerks' Union coming in, and then did you open it up?

Kay: Well, they're the ones who started it. Oh, we opened it up right away. They were coming on so rapidly, you know, we were having difficulties getting enough doctors, and difficulty having enough hospital beds and clinic facilities.

#### A Medical Center and Satellite Clinics

Kay: As we went along we developed an interesting medical facilities pattern. We have a medical center like we have right here, and we have satellite clinics where they do primary care surrounding that. What we did at first was we would hire doctors out in private practice to see our patients as satellites for so much per visit. Then gradually we got to where there were enough people as we expanded to set up our own clinics in various areas. So our pattern in each area--Fontana, Harbor, Los Angeles--was to have our medical centers, and then to have satellite clinics that fed into that for the specialties and then the hospitalization.

So we had Fontana, and it had three outlying areas connected to it. Later it had four, and then five satellites, but it had two right away--San Bernardino, and Riverside, and then Ontario. Now it's got one in Corona, and one in Claremont, and the harbor area developed one in Long Beach, and one in Lakewood. Then we started in L.A., and it had its satellite clinics that developed as we went along.

Huth: It sounds like it grew rapidly.

Kay: Very rapidly. So rapidly that this was our big problem. This giant place where our hospital is--this giant space--was an olive grove. This whole thing was owned by the Barnsdell family, and they wanted to give the inside of that "doughnut" to the city as a park, and to sell the outside of the "doughnut."

Kay: So we bought the first part to build our two-hundred bed hospital. It was all an olive grove at that time. We thought two hundred beds was all we wanted. We didn't want to build any hospital bigger than two hundred beds. We thought it got too impersonal and too big. So we built for the two hundred beds.

Well, we were growing so fast that by the time it was finished we were short of beds. So we bought the next piece of land, and built for another two hundred beds. And then we had to buy the next piece of land. So we had it up to four hundred beds by this time.

During that time we had to do that to use our operating rooms and everything else, because we didn't have enough time to build another facility. We recognized that it took five years and about, at that time, eighty million dollars to plan and build a two-hundred bed hospital and clinic facilities to go with it. So we just had to use what we had, and we were therefore always fighting for space. The doctors were short because there was a war going on, and we were short of doctors.

So our biggest fight with the health plan then was we would just say, "We can't take any more members." And we were having to close the plan down very often saying, "No more members." Then we'd open up as we could again. But of course they wanted to get as many members as they could, and we wanted to do that too, but we couldn't take more than we could take care of properly.

So these were our big fights, and you were always fighting with yourself, you know, on this too.

Huth: Was it big fights with the unions, too?

Kay: No, it was only with the health plan. The health plan wanted to expand. That was their job, but we had to work it out. They had to realize they had to listen to us. But this became a sore point, and it's something that had to be dealt with. Well, I'll get to that later.

Huth: Somewhere in here we need to get into the medical partnership that was set up, and whether that gave you some needed strength in your dealings with the health plan.

Kay: No, it didn't. I'll come to that, but we aren't there yet. It was about 1952 that we set up the partnership. But in essence we were a force already because they knew that I had the doctors behind me and I spoke for the doctors.

So we bought a lot and we bought the next piece, and then when we got around to buying the next bit of olive grove, the health plan didn't have enough money to do it. And here, now, it has a billion dollars a year to spend, so it's hard to imagine, but at that time they couldn't buy the next lot. So two of us doctors bought it, and just held it for the health plan until they could buy it back from us.

Kay: That's all. It wasn't a big deal. The interesting thing is that here this massive health plan that has so many millions now didn't have enough to buy that one little lot, see.

So we built that, and then we built the rest, and now it's about six hundred and fifty beds. This was a gradual thing. Then, as they did that, the Barnsdells sold all the other land around.

Huth: It looks as if they didn't sell any of it for a park.

Kay: Oh, yes. The center of it is a beautiful park, a beautiful park--Barnsdell Park.

Then we bought down the street here--the space for our garage, then we bought this building, and we bought the building on the corner. So now we go all the way down and around the block, and we go across the street. And we also go across Edgemont for the other facility. We built our own clinic there, and that's where I had my first office, my first fancy office, you know. Up until then I was in closets. But Mildred and I really fixed that one up. So this is the way we gradually built L.A.

We recognized at this time that you had to plan for five years ahead. And you had to plan for how much membership you were going to have, how many beds you needed for that membership, and how much space you had to have for doctors. We did all this, and we had a five year plan that changed every year.

Huth: Do you still do your five year planning?

Kay: Well, I did it as long as I was medical director. Then I was beginning to realize it should be eight years, because it takes five years to plan and really set up a set-up like this. So that was another lesson that we learned.

Then here we came up against this other union, and again we recognized the power of the unions, and the balance that you have to develop in coping with that power. Just as we had to develop ways to keep what we felt was the necessary control of the standard of medical care we had to develop a balance of power with the Kaisers--that is the health plan and the hospital--and we had to build a balance of power with the unions, who were our main membership.

And here in working with the union we came up against Joe De Silva. Joe is quite a remarkable guy.

Huth: Now was this the longshoremen?

Kay: No, this was the retail clerks. And in L.A. our main group was the Retail Clerks' Union, and it was with them that we established our relationship and established our plan in L.A.



Innovations and Work With Joe De Silva

Kay: When we started, Joe De Silva and I would meet with two to three thousand of his members. He'd tell them all about the new plan and I'd get them acquainted with what we were doing, and we really educated these people. We really worked closely with Joe, but Joe would like to be in control.

But we worked out a good relationship, and we worked out a lot of interesting things with them. For instance, we have what we call a service department that services the health plan members that have problems.

Huth: What kinds of problems?

Kay: Well, if they felt that there was some medical service that they had had done outside that they should be paid for or some service that they weren't getting, they could complain. And we said, "O.K., we'll set up a committee of their members and ours. But it's not going to be a negotiating committee. It's just going to be a judicial committee." We said, "What we'll do is we'll have each case brought up to this committee," and Joe and I both sat in on it too, and we said, "We're going to do this, but we will pass on the merits of each case, and then if after those merits are done we say we've got to help these people anyhow, we'll pay for it." I said, "I'll have a special fund for that. But I want us to get used to meeting these problems judiciously and fairly," and that's what we did.

Out of that we developed this relationship where we really got to those things that say, "There really is no justification for what happened." And I'd say, "You need help?" And they'd say, "No, we don't need help with this," or "Yes. For this one we need help." And I'd say, "O.K." So we developed this service department and it's been one of the best things we did.

Huth: Can you tell me what kinds of services it provides? Is it something like social welfare type services or does it have to do purely with problems with the plan? Does it apply only if they felt something more needed to be done that was not done?

Kay: No, no, this is for problems with their care or if they don't like the doctor. And I did a lot through my office too, and then we set up this service department. But fundamentally if they got an ingrown toenail when they were in Philadelphia and they wanted to care for it we'd say that wasn't an emergency. But if it had to do with anything that happened where they felt they weren't getting good care. For example, if their hospital care wasn't good, if their doctor wasn't considerate of them, if they had to go outside for something--any problems with their medical care they would take to this service department. I encouraged the department to take it back to that doctor to get the doctor and the patient together.

This is what this committee did. Every facility has a committee or department that takes care of these things.

Huth: That all started with Joe De Silva and you talking about the need. And then did it move on from there to a generally improved system?

Kay: Maybe. I think we must have done some of it at Fontana too.

But I will never forget a case where they were recommending a new kind of cardiac surgery. At that time we had what's called a pre-existing clause. In other words if a person had the disease before they joined the health plan, we weren't responsible for it.

So I had this little lady who had a pre-existing mitral stenosis.\* Oh, God, she wanted it done so badly, but her husband had a job, so they had come to me, and I said, "Social service them. Let them pay what they can, and we'll pay the rest, see." So she and her husband were so upset and finally she came to me crying, "Look, I've got a baby, and I haven't been able to really enjoy my baby because of my heart." She says, "I want that and I'm going to get it no matter what I have to do."

And I recognized that I was seeing it only from my point of view. I said, "You're going to have it. Don't worry, but we're going to social service it, and your husband will pay what he can pay. The rest we'll do."

A lot of this we did from my office too, and we did that at Fontana and all over, but we formalized it when we got here [Los Angeles].

Huth: Is there something called the Social Services Department?

Kay: Well, we have social services. That's an entirely different thing.

Huth: But that's not what you're talking about?

Kay: No, that's not this. This is a service department of the health plan-- the Membership Service Department. We have a big social service department that we refer to for social problems.

Huth: I wondered if it was the same thing.

Kay: No, it's entirely separate. This is part of the health plan. The social service is part of the medical group, just like our visiting nurses and other things. But this is separate. This is the service department of the health plan.

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\*Mitral stenosis--A stenosis or marked narrowing of the heart's mitral valve, which obstructs flow of blood from the left auricle to the left ventricle. This condition is due to early rheumatic fever.

Kay: Then we had problems with the Retail Clerks Union. They would want certain things, but we always worked them out pretty well. We tried to have an educational program for them so they'd get to know more about our health plan. And then they wanted a psychiatry program. Well, we wanted a psychiatry program too, but we didn't have space for it. We didn't know how much it was going to cost.

Finally we said, "We'll do it as a pilot project for these retail clerks." In other words we did it on a cost basis for them. From that we learned how much it would cost, how much the service would be used, and what we need to offer, and what the people could afford to pay.

Eventually the retail clerks pulled the psychiatry department from under us and took it as their own. But we had gotten the experience, and then we set it up for other people.

We did a lot of our programs that way with pilot projects that we'd start in Los Angeles and then spread out. We did that with the psychiatry. The first program was right here, and then as this got to working, then we'd set one up in Fontana, and now each area has its own program. We did the same thing with our alcohol program--now as we call it, addictive diseases.

The government wanted it for their people and I was all for it. But we started it as a program in L.A. And my idea was that I wasn't going to assign people to it. I wanted people that wanted to do it because that's the only way you can do it.

We had an interested physician by the name of John King and we got a psychiatric social service worker by the name of Miss Helen Fischer. They started by setting up our clinic here, just here. At first, all we had was that the clinic could use some of the rooms at night. But the only place they could have in the daytime was the medical offices down the street when the medical group was having their educational program. Remind me to come back to our educational program because I'm real proud of that.

But we started it that way. Then we developed offices for them. Then it became bigger and bigger, and now each area has an excellent Addictive Disease Department. I'd love to show you some of these places if you have some time. They're really wonderful. They're really great, and they have a detoxification place at Fontana, and we've tried to build up an excellent department. They all have social service workers and counselors, and a lot of their counselors are ex-alcoholics. Some of the best ones are ex-alcoholics.

So that is an important way that we had of setting up new projects, and I think the way we have to do it on almost everything is to do pilot projects.

Huth: But you started out with this retail clerks group starting some innovative new ideas.

Kay: Yes, and you learn with every one.

Huth: Was it partly because it was such a large group of people and they were everywhere? Were they all around?

Kay: Right, and they had a strong organization. This Joe De Silva's people were imaginative, and they were really fine people. They contributed a lot. I fought like hell with them.

Huth: Where is he now?

Kay: He got off on mega-vitamins. He's retired as head of the union. Now he's selling mega-vitamins. He's well into his eighties now, but he's a remarkable guy, and he really contributed a lot to his people in the Retail Clerks Union.

#### Adding More Members--Many Through Unions: Further Expansion

Kay: Then we got the Teamsters in, and then the culinary workers, and then an interesting group of enrollees was Lockheed.

At Lockheed the union had wanted our plan for a long time, but the management wouldn't do it. Finally one year the management was willing to do it, but at that time we were so tight on members that we couldn't take them. So the health plan felt terrible and they said, "This could be a big group of members." And I said, "I can't help it. We just can't take that many," and I said, "Let's try this. Let's say we'll take two thousand this year, and two thousand more the next year, and do it gradually." The health plan said, "Oh, they'll never do that. They'll never stand for it." I said, "Hell, let's try it." It worked fine, and we got Lockheed that way. So we had to do different things.

Huth: Did it take very long to get all of them in, adding the two thousand a year?

Kay: No, no, not too long. We just got over that one rough year and then probably we started another center like Panorama, which was the next one after L.A. So that was that.

Huth: Did you continue the moving out?

Kay: Well, very simply, after coming to Los Angeles we kept expanding--four hundred beds, five hundred beds, six hundred beds. By this time we had planned to start a facility in Panorama City in the San Fernando Valley.

Kay: And we started by having a clinic out there, and by developing a staff. There we built that around Dr. Irving N. Klitsner, who was one of my residents at the L.A. county hospital, and who went up as a pediatrician at [Kaiser Permanente] San Francisco. He came back with us when we came to L.A.--as chief of pediatrics. He and I together set up the clinic out in the valley and then planned the hospital and the clinic.

It took off quite a bit of the pressure from L.A., but still wasn't enough, so we were soon working towards developing a facility in Bellflower, and we did the one at Bellflower. Again, Dr. Wallin, who had started Harbor Hospital, set up the Bellflower program. We built the hospital there with the same plan that Dr. Garfield had worked out up north for San Jose.

Huth: The circular one?

Kay: No, the circle was done in Panorama. Garfield planned one for San Jose, and they wanted to use the same plan, and it really turned out to be an abortion. It really wasn't very good. So we've had to re-do a lot of it. So at any rate we got it going.

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The next place we went was to San Diego--a group there was failing. They wanted us to take it over. We wanted to, but our board was very much against it.

Huth: Who was against it?

Kay: The board of directors of my group, about which I'll come back later to tell you how that was formed and how it functioned.

But opposition came particularly from our men in L.A. We were so short of doctors they were afraid it would take doctors away from L.A., and we had a real fight on that.

The guys say I kept them voting until they voted my way, and it's partly true. But what happened is I said, "All right, if today you voted, how would you vote?" And several times I would have lost, but we went and spent the weekend down there. They were afraid we were going to take inferior doctors that would take away from the L.A. image, and the like.

So I took them down there, and they saw it, and we set certain things up with the health plan and other things so that we couldn't lose money. In other words, it would be a separate operation until it paid for itself. And incidentally, this same doctor, Buck Wallin, who had started the other two, set it up, and he had it paying for itself within a year's time.

Kay: At any rate after that trip down there we had a vote and I won by one vote, and that vote was by Dr. Jack Gordon, who was on the board. He was over in Sweden looking at a machine that we were thinking of acquiring, and he left me his vote. [laughter] So I think they hated him, and they hated me for a while. But it's been a beautiful, wonderful thing, and we built a clinic, and I'm very proud of it.

Since then, as you know, we've gone out to Anaheim.

Huth: Wasn't there more to that San Diego story? What can you tell me about Henry Kaiser's reluctance to go there?

Kay: Oh, that was another San Diego story.

Huth: Were there any problems in setting up this one? Any objections?

Kay: Oh, no, the health plan wanted it. I think that pretty well tells you how we spread.

Huth: Do you think this is a good time to go into the other San Diego story? Or was that much later?

Kay: Yes, and they're different things. That San Diego story was another thing. Let's do it later.

## VI DEVELOPING A VIABLE MEDICAL CARE ORGANIZATION, 1949 TO 1951

Kay: This quote describes what happened here: [reading] "To indicate the magnitude of the problem, in 1949 we had nine physicians and nine thousand health plan members. And in 1984, just thirty-five short years later, we have eighteen hundred and sixty-one physicians, and one million seven hundred and sixty-six thousand and two hundred nine members. By now we had a pattern, with physicians practicing as a group, no economic barriers to good care, and we were spreading this medical care over southern California.

"We now had to learn how to make it work in the face of the problem of an expanding organization."\*

Huth: You were reading that quotation from a section of your speech given in late January about the southern California Kaiser Permanente organization. Those are details you're not likely to remember, but they illustrate what happened.

Kay: Well, I thought this might give us an outline or at least a clearer picture.

So our first problem was to develop a viable medical care organization. And the main problem in developing that organization was to get doctors--doctors that believed in the organization and who were willing to grow with it. This was particularly hard because in the first place there was a war going on. There was a draft for doctors, and the medical societies were against us. They weren't accepting our members in the local medical society, and they were calling us "Kaiser doctors," and they were saying we were practicing socialized medicine.

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\*Raymond M. Kay, Kaiser Permanente Medical Care Program, speech January 28, 1985, p.8.

Kay: Mind you, during those years we were having to hire about a hundred and seventy-five doctors a year for our growth and our replacements of doctors that left. I felt that my most important job was getting doctors and picking good doctors, and I think it was really the most important thing that I did for the group. I really picked some wonderful doctors!

Huth: How did you go about recruiting these doctors that you needed so badly?

Kay: Well, we advertised in all the journals, but primarily we sent out doctors all over the country to the various medical schools, army hospitals, and everything else.

I had about ten doctors. I'd have each one develop a relationship in a certain area, at certain hospitals or certain universities. And we'd interview doctors, and invite them out. This was our toughest thing. At that time, our salaries weren't very high either. They didn't compete with private practice, but I felt we had enough else to offer the doctors so that we didn't have to meet what they would get in private practice.

Huth: What other things were you offering?

Kay: Well, what could we offer young doctors? That's the question we asked ourselves.

Idealistically, they would have the satisfaction of pioneering a new method of care, and that was very important. We talked more about that than we did salary. And I think it worked to our benefit because the key guys we got came to us, not because of salary, but because they believed in it. I think that's what carried us through the rough years that we've had--those dedicated guys. It took people with vision to really join us then against the medical societies, and with our relatively small salary. They had to really believe in us. And those are the guys that have made this what it is today!

We felt we could offer them the opportunity to grow professionally as we had in the L.A. county hospital. I don't think anybody grows in any other kind of practice as much as they do in our group because we have so much material and so many patients, and they see everything, and they learn from each other.

And then another thing we had to offer that is very important is a planned life. And by that I mean--when I was out in private practice I alone recognized that an illness was a catastrophe financially that people couldn't afford. I found myself begging for people to do studies on my patients. But I also found that I, as well as other doctors, had to be on call at all times, and I had more doctors say to me, "Ray, I've got to develop it so I can get to know my family." But they never did--they never got the time.



Kay: Here our plan was to work hard and take turns being on duty. Work hard when you work, but be off on the other days of the week so you could be with your family and plan for it. So we had that to offer--free time with our families.

Economically, we weren't competing with salaries, but we were gradually improving our salaries. In other words I couldn't take a hundred or two hundred doctors and raise them two hundred dollars. That threw too much on the health plan. So what I did is I'd make it so that every guy would go up in their third year, or their fourth year, or their sixth year. And that way we could increase their salaries without throwing it all on the health plan at once.

In addition to that we developed a system with the health plan where we built in a certain amount of profit into the health plan dues--that was divided. Half would go to the medical group to be deferred earnings for the doctors, and half to the hospitals to help in constructing buildings. So now the doctors had the base salaries, which wasn't as good as I would have liked, but they had sharing of profits, and they had the longevity increases.

Then the thing that I felt was most important was to develop a security program. I wanted to give the doctors a good way to practice, to develop professionally, and to have security for themselves and their families. I kind of did it almost as a mosaic. If you picture a mosaic, we were trying to build up a mosaic with the complete security and a good salary. We put off the salary raises, and we tried to build up a retirement program, and a sickness and accident benefit program.

We gradually got it to the point where if a doctor is sick now with a long illness he gets six or seven months of complete pay, eighteen months of three-quarter pay, and half-pay until he's sixty-five. Now that's a wonderful thing. And we built that up so that it could be improved as we went along.

We built up the retirement program. We did all this as money was available. We'd use it that way rather than increasing our salaries. And we got the retirement program. At first it was three-quarters percent for every year that the doctor had been with the group--three quarters percent of his five highest years, see. And then we got it up to one and a quarter percent. Now it's two percent. So we fixed these benefits so they could be improved. In other words, if I worked twenty years, I'd get forty percent of my five highest years per month.

Now they've got the Keough Bill\* to go with it. They're "fat." I mean they really have a wonderful program, but it was all built before they got here, the new guys, see. And they just take it for granted. To us this

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\*Keough Bill--Federal legislation permitting U.S. taxpayers to place part of their salary in a tax free fund for retirement purposes.

Kay: was the important thing, and we built that up, and we pretty well have our mosaic fixed up into pretty good shape. Now they're raising their salaries--plenty. I get the same raises, and I'm embarrassed by it!  
[laughter]

Huth: That's because you remember how it was.

Kay: Yes, but I laugh all the way to the bank.

But that mosaic was something that we drew very early because we knew we had a problem.

Huth: How early did you first start to try to devise these benefit programs? Do you remember when you began? 1949?

Kay: From the start almost. Oh, 1950 and '51. I reckon it's hard to say when you started dreaming.

Huth: You began to think about that in the very beginning because you saw that as a need.

Kay: Well, we knew that we wanted a partnership. I knew that I wanted all doctors to participate. I didn't think that doctors wanted to work for anybody. I thought they wanted to have their own organization. And I wanted that, and I wanted them to have security, and eventually a fairly good income. But those were the dreams that we had when we started, and this is what we're developing, and those are the benefits that we've developed.

Huth: Is this different from what was done up in northern California? Were you in any way following what someone else had done up there?

Kay: No.

Huth: You had complete say over how you did it?

Kay: Oh, yes, complete say because we didn't agree with some of their principles or practices. They tried to build high profits. In other words their salaries weren't quite as high as ours, but they would try to develop so that they would get big profits. They had a lot of sharing of profits. In other words whereas our profits may be thirty-six hundred or forty-eight hundred, theirs would be ten thousand. They tried to do that. We didn't. As a matter of fact, when our profits got kind of high we put some of it into the salaries we paid so we could compete better. And we tried to put it into starting salaries, and we did various things. Of course, if you put it into bigger salaries you improve your retirement, and your sickness, and accident coverage too.

Kay: So no, we believed in building up the other things. It was entirely different. We paid more salaries because it was harder to get doctors down here. But every three years, I would have them check to make sure that their profits and their salaries were no higher than our profits and our salaries. We checked and kept up pretty well.

We also did something else different from the other group. We believed very strongly in having an education program for our doctors. And we started out having two half-days a week that we would have for an education program.

Huth: Does that include research?

Kay: It could be research, it could be working at the university, or it could be your own internal program.

About three or four years later, I got defeated in that some of the people wanted to have one of the half-days just for pleasure. But we still have one half-day a week, and every department can use it in any way they want. Most of them have their own meetings. Now this afternoon the whole medical department in L.A. has a meeting, and they're excellent meetings.

Our doctors figure that over a year's time, in their educational meetings, they pretty well review their field of medicine. That's an expensive thing when you figure eighteen hundred doctors. That's nine hundred doctor days. And when you figure three hundred dollars a doctor, say, or two hundred dollars a doctor, that's a big slug of money for the education. But we felt it was so important that we have always protected it and insisted upon it.

Huth: Is that different from northern California?

Kay: Yes, they haven't done that, or maybe they have a modified form of it now, but fundamentally not like we have. That was from our beginning, the first thing we had.

Huth: Do you know where that idea came from?

Kay: Well, I don't know. I did that at the L.A. county hospital for our residents. We also have a symposium in every department once a year. Now medicine has two days every year in which we have professors from all over the country come out. And we have these two days of sessions in major services, as we did at the L.A. county hospital for our residents. I think that's a tremendous thing.

As a matter of fact they named the O.B. symposium after Dr. Baker, calling it the Dr. T. Hart Baker Symposium. And now they're naming the one in medicine after me, calling it the Ray Kay Symposium.

Kay: I think they're very important things. If you're going to get good doctors you've got to have a good educational program. If you're going to keep good doctors and keep them good, you're going to have to have an educational program. So that's been very important.

### The Partnership and Medical Service

Kay: Now we move on from how we had to get them to what kind of organization we formed. Well, we wanted them to participate. We wanted it to be their organization. Yet, we couldn't have eighteen hundred doctors running the organization. So you had to have some kind of organization with representation, but with a firm strong administrative group that runs it. In other words, you can't have a group administrator. You can't have a board or a partnership, or a committee administrator. You've got to have strong people as leaders.

So what we do now, fundamentally we have a partnership. When I was medical director every doctor was eligible after three years with the group. Now it's after two years with the group. If he or she is approved by the board and elected by the people in his or her area, they become a partner. Before, every partner had to put in five thousand dollars, which you eventually got back. Now they don't have to put in anything. But they own the organization, and they elect members to be on the board of directors. And we decided early we'd let the board of directors get big. It's unwieldy, but board members learn a lot and it's good.

Huth: Who serves on the board of directors? Who is on it?

Kay: Well, all the administrative team, the medical directors from each area are on it, and then each area according to their size elects one, two, or three members to be on the board.

Now the partners have set up a partnership agreement which they've agreed on, and to change that partnership agreement it has to be by a good majority of the partners. And we never take up a partnership change--at least we didn't used to--without really going out in each area to discuss it with doctors so they could vote intelligently on it.

That partnership agreement is what tells the board of directors what policies they should formulate. The policies have to be in keeping with that partnership agreement. But the policies are formed by the board of directors, and then the administrative team carries out these policies. It's always a little rough. The board very easily will start to get into administration. But our administrators are there on the board and they understand what the board has to do. They also give information as to how things will work to the other board members. There's a good educational thing there. I think it keeps a good balance.

- Kay: One of the rough things about it is being medical director. You're really responsible for running this whole organization. You're responsible for seeing that these guys live up to the partnership agreement, and live up to performing their duties. Yet you work for them, and they could kick you out at any time by a majority vote of the partnership. So it's a position that administrators in health plans can never understand. They say, "Why in the hell can't you tell them what's what?" You can't because you work for them. You've got to convince them, and it's tough, but it works. That's fundamentally the way we're organized.
- Huth: Do you think that is different from northern California?
- Kay: Well, no. I think it's pretty much the same. We were quite different from them in some ways. We didn't follow them.
- Huth: Did they tend to follow you?
- Kay: I don't know about that.
- Huth: In some areas?
- Kay: Well, when we get to contracting with the Kaisers, yes, they did follow us in accepting a working relationship, but they had their own kind of organization. At any rate we had a closely knit group. I was lucky to have them. We had a strong group.
- Huth: You said that it tends to be a pretty large group. Can you give me an idea of how large it is?
- Kay: There must be twenty-five to thirty members on the board.
- Huth: Do they tend to all come?
- Kay: They sure do. They want to be sure their salaries go up. [laughter] Oh, I'm just kidding. I complain that there is so much talk about finances, and I like them to talk about health care, you know, and those kinds of things. I'm being facetious.
- Huth: How often does that board meet?
- Kay: Oh, the board meets once a month, every month.
- Huth: Is the main purpose to set up policies that are followed by the administrators?
- Kay: Yes. Now, the administrators should bring these policies up, but sometimes the board members do. There are some screwy damn things that they do. And you can get a good board, and you can get a bad board. At times you get some members that are just selfish. We had to spend a year or so educating each new member, because they came thinking that they were representing their area group. They really weren't. They were representing

Kay: the whole organization. And they have to make their decisions on, not what is good for the doctors in their area, but what's good for the group as a whole in the long run. And that's hard for the new guys to learn, but they do and it's valuable.

Then we felt we had good participation by the doctors, but it really wasn't enough because when they were young and we were little, we had more town hall meetings. And every guy felt he was sharing in this. But as we got bigger, guys would say, "You know, really, it's so big, Ray, I'm lost. I don't feel like I'm needed anymore." And I had a really fine guy by the name of Ross Wilcox from Columbia University say, "I'll take you out to lunch, Ray. I want to talk." So we talked and he said, "I'm trying to make up my mind whether to go back to New York and go into private practice or to stay." He said, "Before when we were small I felt like I was playing an important part. Now the surgery department's gotten so big I don't feel I'm needed anymore. You know that I'm playing a part."

But the more we talked the more I realized that we have to change the organization to take care of the size. And it was at that time that I started to say, "All right, I can't be a father for everybody," and everybody needs a father. Every guy needs to feel he shares in the development of something. So we started making the individual professional service a unit, and it's turned out, I think, to be the most important innovation in the group.

Each service will have its chief of service. And if you've got a good chief with a good nucleus of fellows around him, you'll have a good service. You'll have good medicine, and you'll have good morale. And those guys can feel that they are really building the best service in the place. That's when we started emphasizing the service.

Huth: Do you know about when you began to do that?

Kay: Oh, in 1956 or '57. I'm guessing. But we felt that they were so important. And Ross Wilcox is still with us, incidentally.

Huth: Oh, he stayed on.

Kay: Yes, but it made me realize that you have to have a unit that really is theirs. Now the whole group is theirs too. But primarily they've got to have that. And I think it's the most important unit we have, both for morale and for professional care, because if you've got a good service, they will help all the younger guys.

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Huth: Does it provide something to help them get into the whole Kaiser program?

Kay: That's our hope. I've really always suggested that we have a buddy system, where an older doctor works with a younger one, but I don't think they do that. But they have the older fellows who have an older group and who've had experience, and they naturally work together.

I think I would like to see even more of a "buddy" system. I've talked to several guys. In essence, they say they really do work that way within the service with the new guys.

#### Providing Quality Patient Care

Kay: You've got such a talkative guy. [laughter]

Huth: I'm glad you've got all this to say. Now perhaps it would be a good idea to talk about how you were organized to provide patient care.

Kay: Well, I'd like to quote from my speech.

"In group practice, there's a built-in quality control in the careful choice of doctors, and in the sharing of patients and knowledge. In addition, in our group each service has a chief of service, and a nucleus of senior doctors who work with other clinicians and share their patients' medical problems."\*

As I told you, in each area we have a medical group with a medical director and all their own chiefs of service. I want to emphasize that in the days when I was leading I tried to build an equally good staff in all areas. I did not want to make one place better than another. I wanted each place to be a good unit, and I think we've done that pretty well.

Now there are certain things that are centralized where you have to have special equipment and special expertise, such as radiation therapy, neurosurgery, neuroradiology, or cosmetic surgery and the like. But for most of these services each place is self-sufficient to do it. Cardiac surgery of course is in there too. But aside from that the idea was that they would have an equally good staff. Now so much of the quality of the care is according to how good the doctors are, and their attitude. I'm concerned with their medical ability, but I'm also concerned with their interest in people, and in their concern with their patients as a whole. And you only get those things by picking your doctors carefully. I feel you should pick them for both of those attributes.

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\*Raymond M. Kay, Kaiser Permanente Medical Care Program, speech January 28, 1985, p.11.

Huth: Was it true that when you were first starting to pick your doctors and you wanted to pick the right people--you had them come to your house and stay with you for a while?

Kay: Oh, well, that was true, but it wasn't for that purpose. It was because they didn't have anyplace else to live.

Huth: Well, somebody in commenting about that said that you found out quite a bit about them when they came to stay in your house.

Kay: Oh, yes. I lived with those guys. That was in Fontana because you see we had a big old house, and we had a guest house. Now I've got a Mexican family living there. They're such lovely people. But a lot of our doctors started there, particularly when we were young.

Every year we would have a big barbecue down there. Maybe I'll show you some of the pictures from those barbecues. All the doctors would bring their families. And we'd have Christmas parties for the children of all the health plan, the hospital, and the medical group people. We'd have that at our house. It was more fun; it was just wonderful! Then we had it for L.A. and Mildred Robertson and I would do it here in L.A., and we'd do it all over. They quit that when I retired, but they kept it up at Fontana for quite a while. We'd have Santa Claus out in the garden, and we'd buy toys for the kids. And we'd have a petting zoo out in our front lawn. [with a laugh] It was just cute as hell! And then we'd have motion pictures in our big front room, and food, and everything. The group paid for it, you know. It wasn't me, it was just that we used our house and grounds. But those are the things that I thought built up morale and were better than anything else.

Huth: Those morale kinds of things are important.

Kay: Oh, I think they're wonderful! I think they're great.

Huth: If they stopped doing that, is there something that's taken its place?

Kay: No, I don't think so.

Huth: Is that something you lose with bigness?

Kay: I think that is just an excuse.

Huth: Since that's something that's not done do you think they miss it?

Kay: I think so, but we were doing most of them and we were big--nine hundred doctors when I retired. But I would insist on having a Christmas party, by God. [laughter]

Afterwards I said, "Well, boy, now that you're not medical director it's tougher than it used to be." Really, it's not much different because I used to try to convince people to do it because it was right. But who



Kay: the hell am I kidding? I was convincing them it was right, but I was talking as medical director. I had a club up on the hill; now I don't have anything. I'm just an Indian, see? [laughter]

But we had those children's parties up at Fontana for a long time afterwards. Then we were going to revive them again. But we were just about ready to do it, and then there was a strike, and employee relations told us that, "It would be an unfair labor practice if you had the party now." So we haven't been able to do it since. I still have hopes it will be revived.

More people that have grown up now say, "Oh, I remember the parties up there." Everybody was a parent there, see? The janitor and the medical director were both parents, and they would dress up their kids so cute. They were the loveliest things we did. Nobody got drunk.

Huth: People probably got to know each other at these parties, didn't they?

Kay: Oh, it was wonderful, yes. I'll bring pictures maybe Friday to show you.

Then we'd have Halloween parties down a place called Harold's in Fontana, and we'd all come to that. That was just for Fontana people. We'd come in costume. And I remember once I won a prize! I was a little scout master with the little scout master's hat and short pants. And then another year I was Miss Permanente of 1952, with big busts up here, you know, and a bathing suit. [laughter] We just had a lot of fun. It was really fun!

Huth: It sounds like a congenial group of people.

Kay: Yes, it was swell! And I don't think you have to lose that completely. I know it's harder now.

Huth: Do you think it's because everybody's got so many outside interests that they don't have time for these kinds of things?

Kay: It may be true. I don't know. I like to try.

I think one of the nicest compliments I had came from one of the secretaries who was in my office as a kind of receptionist. She was in a wheelchair. She's had polio and now she's working at other things. She said, "Well, Dr. Kay, when you were medical director I felt my job was really important." She said, "Now I don't think it matters worth a damn what I do." I thought, "Well, boy, if I got that over, that was what I wanted to do." I really did think it was important. But if I got that idea over then I was better than I thought I was, because that's what I think is essential. Everybody has got to feel that what they do is worth doing.

Huth: To feel they are really contributing something important?

Kay: Right. Right, like their job is important.

Well, now we've gotten off on a tangent.

Huth: Well, that's not much of a tangent. That's all very related.

Kay: Well, on the medical care I was saying it had to be personal, but it had to be good. And I think it is good. From a professional point of view, if you're really sick we do a wonderful job. I don't think there's any place they do better than here in our organization. If you've got something really serious you've got the expertise, and you also have your doctors that you know and that are interested in you, see?

I think that where we fall down is in the primary care, where you don't have somebody you know. I think that the worst thing we do is when people get lost and they can't get primary care. My contribution from now on has to do with this. And that's what I'm trying to do with our nurse practitioner program. I've been trying to do that for twelve, fourteen years. I would like to see each member have a unit to which they belong as in a private office. Now, we used to say they should have a doctor that's theirs. Well, maybe that isn't possible, but I think that something close to that is very possible. I think it's essential that we try to eventually develop it so that every member has an office or unit where they belong.

I've visualized and have worked towards that. We found that our small clinics were so much warmer and more comfortable. So now in our big clinics, like here, we try to have a unit of four or five doctors with one waiting room. And I'd like to have those four or five doctors together with a couple of nurse practitioners, and if somebody had a time when they needed medical help they'll know these people, and they'll phone in there. I'll bet you money that I can phone almost any doctor now, and that he either isn't here or the staff doesn't know when he'll be in, or when an appointment can be made. That should never happen.

Huth: Sometimes it's a month and a half later?

Kay: Right. I think that they should be able to phone and hear, "Well, Dr. Kay isn't here." Then, the patient could say, "Well, let me talk to his nurse practitioner." And the staff should let the practitioner handle it. We'd save a lot of unnecessary office visits for people with colds and the like.

But fundamentally, we'd have a unit where the member belonged, and where they feel welcome, and feel like they know the people.

Huth: So this is an idea for the future? Something to work on?

Kay: I've been working on it for a long time. Well, that's what Dr. Garfield was working on with that northern California unit.

Huth: Are you referring to his work on a Medical Care Delivery System?

Kay: We talked a lot about that system. At that time Sid was saying to me, "Well, Ray, I'd like to do something where we can really change people's lives, where we can really make them do things that are better." I said, "Swell, Sid, go on and try it, but don't waste too much money on it, because," I said, "I don't think you're going to change people unless they want to be changed." Hell, we can't even stop them smoking. They're killing themselves, but they don't do things unless they want to. I said, "But try it, and I think it's a swell idea."

The unit that he got set up is a unit where he took six thousand new members where all of them would belong to that unit of nurses and doctors. Under the plan, they would get a regular physical examination. The second six thousand would belong to that unit, but have a physical only when they wanted to. And the third group of six thousand could go wherever they wanted to go. And they were going to compare those three groups to see how economically and how well they'd handled it.

"Well," I said, "We're trying to back into the same thing." In other words, I'm trying to get each area to have units, particularly--and they're doing it in medicine pretty well--with doctors and nurses in a team, and have people come there for their acute things as well as their chronic problems, see? In other words if they need to walk in, they walk in. And I worked in a unit like that down at Fontana. So you don't do it all at once, but you do it.

Now I worry about Sid's thing. I went up there to spend two or three days with him. I don't believe you should fragment patients. I don't believe in this system in which one person would do the physicals on him, then another one would treat him for another thing, and another one would treat him psychologically, and another one would educate him. I think that's the responsibility of the doctor and the nurse. But they have an educator, and a psychiatric social worker there, and the picture I got was that they were there to back the nurses up. But to help the nurses learn to do it themselves--with that I agree. Now what that study group is doing, I don't know. I talked to Bob Feldman the other day, and he asked me to come up and look at it.

Huth: Who is that?

Kay: Feldman is the doctor that ran it with Sid, Bob Feldman, and now Cecil Cutting has taken Garfield's place in that unit. He helped in it before too. But Feldman has been really wonderful. So I think the idea of the unit of nurse practitioners and physicians is good. However, I think you're kidding yourself if you think you're going to change people unless they want to be changed.

We do something like that at Fontana in the unit that I'm in. We do physical examinations. We do about four hundred physicals a week. But when medicine is short of doctors as it is most of the time in all of our areas, we take care of the regular care of about seventy percent of these patients. So we see a hell of a lot of patients, and I'm real proud of the way we provide services there. It's Dr. Sanborn's project and I just work there the days I'm there. But I think they do a whale of a job.

Huth: But it's a special thing that you've set up where you're trying something out?

Kay: Well, we're trying to do histories and physicals on people, but we're really trying to give continuing care to many of them.

In that unit we have two nurses on walk-in for acute things, and we tell everybody, "If you have anything acute come up, come on back in, and we'll see you." So we're trying to develop continuing care, but at Fontana the medical department takes care of their own walk-ins too. In other words they have units, and L.A. has them. Several places have units of five doctors and one nurse. If a member has something acute they can come back there. That's the way I'd like to see the whole organization be, so we're getting there slowly.

Huth: You're working on it.

Kay: Yes, but I think Dr. Garfield's idea of having a unit that they'd come to is excellent. And that--I believe in, and we've both tried to do that. But I don't think they're going to be able to get the rest of the organization to do that. I'm trying to figure out how to do it. But to me this is the most important thing in the care we provide. In other words I don't want people to get lost.

We're taking care of the seriously ill cases very well with our well-trained doctors and our specialties, you know. We're falling down in the primary care where people get lost and don't have the units that they belong to, and that's what I want to see improved, and that's what I also want to see made even more simple.

Huth: Are you finding that the members that you originally took in way back there when you started in 1949 and '50 are getting older now, and they have different needs, and perhaps it's going to be more costly to cover the older members?

Kay: Sure, sure. That's another subject, if you want me to talk about it. Yes, that's one of my new interests. I have the nurse practitioner program, but I also am on a committee to help develop some innovative ways to care for our older members. I think that's a problem in the whole country. People are getting older, and there are different problems, and there are more problems, and there is the big problem of how to handle them when they don't have to be in the hospital but they need care. We've got a task force that is supposed to be addressing that. I'm on that task force. I think it's up to us to develop some pilot projects that will be helpful throughout the country. Now there're places doing some things. I'd like to go study those, too.

Huth: Do you know any special places where they're doing something?

Kay: Well, there's a new fellow by the name of Dr. Dick Culberson here from Minnesota, head of the hospital here in L.A., who I am very impressed with.

Huth: Here at Kaiser?

Kay: Yes.

Huth: And he's from Minnesota?

Kay: Yes, he was from Harvard, and then he was trained in Minnesota and he ran a big hospital there. He told me about a program by the name of Share that I'm very interested in. I'm going to spend some time working on that if I can.

I'm also interested in how we can do better. How we can do it at home, keep them at home, prevent them being in the hospital, prevent them being in the rest homes? How can we take care of them, and make life livable and enjoyable at home, or provide possible places where they can go from a hospital to a convalescent bed, to a room to be in their own home? You know, so it's easy, but it's horizontal movement rather than up, and in, and out, and in again. I don't know how to solve this, but it is a big problem area in this country.

Huth: And it sounds like it's a costly problem too.

Kay: Well, it is. It is, but how can we make it less costly?

#### Doctor Control and Medical Society Relationships

Huth: Dr. Kay, what did you find that you didn't expect to find when you first came to the Kaiser medical program?

Kay: Well, I reckon it was something that I might have expected, but I didn't realize how important it was, and I didn't appreciate what an area of concern it would be. But it was primarily the influence of unions, or the Kaisers, or management, or anyone else, on the control of medical care, or interference, or in any way threatening the doctor's responsibility for the medical care.

Huth: There was much more than you'd expected?

Kay: Yes, and it was something that we had to constantly keep in mind, and keep up a guard against.

Huth: There is something else in connection with the Ross Loos Medical Group. They had a limit on enrolling in the public sector--

Kay: I reckon so. I don't know though.

Huth: In fact there was an agreement. This was part of the American Medical Association problems they were having. So through the Los Angeles County Medical Society they had an agreement that they would limit themselves to enrolling the public sector and other existing groups, and not seek new enrollment from any new sources. I wonder if there was ever anything like that, informal or otherwise, as far as Kaiser was concerned? Was there an agreement as to where Kaiser went for membership in order to pacify the American Medical Association or the local society?

Kay: I didn't know that for sure about Ross Loos, but I was suspicious that that was the situation--why they didn't grow. I know of nothing that even came close to that with us.

My idea here was to build up our professional stature and not to get too involved in politics. Because I had been full time at USC Medical School and a lot of our key guys had good medical stature and a lot of good friends, our relationships were good. And our critics would always say to us that professionally there was never any question, that the medical care was good, but they'd say, "The doctors are scared. They're afraid of you and they're worried about loss of their patients."

I might tell you one cute thing while talking about this thing--I just wouldn't get into politics with them, but finally they wrote an article. There is a fellow by the name of Foster, Paul Foster, who built up quite a practice during the war years as a dermatologist, and he ran for president of the society. He was against Permanente and anything like it, so he wrote some critical articles. He wrote one article and I said, "Hell, I've got to answer that."

So I wrote something up, and I phoned Sid Garfield. I said I wanted to read it to him over the phone. I said I wanted to be sure it was all right because he was kind of concerned about this problem, and he said, "It's fine." I said, "And for God's sake keep Mr. Kaiser out of this."

Well, I don't know if you know, but Mr. Kaiser had a phone in every room, and of course he was on the line, and he hated my guts for six months after that. [laughter]

He was a remarkable man, and I don't mean to minimize that. When there were problems, he'd send in the first team, and the first team was always Mr. Kaiser. So when we had trouble with the medical society he'd send in the first team, which was Mr. Kaiser, which was the worst thing they could do, because this labeled us as "Kaiser doctors." So what I was really saying to Sid was, "Let's just handle this ourselves as doctors," see. But it was kind of cute because sometimes he'd hate me, and then he'd love me. You know, I'm not sure he really loved me. That was one time that I thought he didn't love me, but that was related to the medical society.

Huth: Yes.

Kay: But there's a lot more on the medical society.

Huth: Yes, we can do that tomorrow.

I want to talk to you about the Larson Report. Do you know about that? It was put out by the American Medical Society.

Kay: I remember it, but it was pretty good wasn't it?

Huth: Yes, it was good. It was a survey of prepaid group practice that was said to have been the end of the American Medical Association's opposition to prepaid medical care.

Kay: What year was that in?

Huth: 1959.

Kay: I remember there was a report.

Huth: I would like to talk to you about that tomorrow.

Kay: I can particularly tell you about what happened with the medical society here.

Huth: That's what we want to know--what happened here.

#### Organizing to Provide Medical Care

[Interview 2: March 27, 1985]##

Huth: Yesterday we talked about the medical partnership and the services that it provides. Today I'd like to ask you how you are organized to provide all of your services--medical, nursing, pharmaceutical, and laboratory--and how these fit into the hospital, the health plan, and the medical group directorship and management?

Kay: Well, what you are really asking is what we do, fundamentally, and what personnel work with the medical group, and all about them?

I might say that starting with the medical group, the doctors are hired by the group for two years, and then they become partners the third year. There are some who have a kind of limited partnership, but most of them are partners with the hired ones working toward partnership.

If the doctors have illnesses that we feel may mean that they cannot work as well as others and yet we want to have them, we have a limited type of partnership, and a committee reviews that from time to time. We've had people with alcoholic problems, with drug problems, and the like, and we felt that we should help our own doctors with this sort of thing. So some of them come in as employees with a limited type of coverage.

Kay: Now as to the next group, the nurses, the hospital corporation has its own nurses, and they work for the hospital. And the medical group has its own nurses, and they work for the medical group. In this area we did not have a school of nursing, and the northern group terminated theirs a few years after we started. But we did have nurses affiliate from other schools of nursing and do their clinical work in our organization. In the last twelve to fourteen years we have sponsored probably one of the largest programs for training and utilizing nurse practitioners in the country. But I'll talk about that later, if you like. I might say that the nurses for many years were not in a union, and now they are unionized.

Huth: How does that work if some of them are under the hospital, and some of them are under the doctors? Is there any distinction in ranking or range of pay?

Kay: No, as matter of fact it may be a different union. The hospital here is under one union, and the nurses in the clinic are in another union. They have to be somewhat in the same ballpark statistically, but they have separate contracts.

Huth: One is under the hospital management, and then one is under the medical group? Would that be under the medical director?

Kay: Oh, yes. First, you have your partnership, and your partnership has representatives elected to the board of directors of the medical group. They set the policies in accordance with the partnership agreement. They then delegate the responsibilities for carrying out those policies to an administrative team headed by the medical director. The medical director has an assistant or associate medical director in each area. Also in each area under the associate, assistant, or medical director, they have the chiefs of services. The chiefs of services are responsible for their service in the clinics, and they take care of their patients in the hospital. The nurses and people working in the hospital are under the hospital's administration, but they're there to provide care just like any other hospital.

Each area has a hospital administrator running the hospital. They have a health plan representative that runs the health plan. They have a clinic administrator who is in charge of the clinic and all the people working in the clinic. Then the hospital administrator is in charge of all the people working in the hospital, other than the doctors, of course. Let's see, what else?

Huth: That's very clear. Now what can you tell me about the pharmaceutical and laboratory services?

Kay: The pharmacy department is, I think, a profit making organization, which is run usually by the Kaiser side of the health plan, more or less.



Huth: How were you organized for the laboratory services?

### The Central Laboratory

Kay: The laboratory and the X-ray departments are run by the medical group. They have a head of the laboratory in each area and they have a head of the X-ray in each area. However, in laboratory, Dr. Jack Gordon coordinates all area labs and has established a central laboratory that does a lot of specialized work for all nine areas. And we've done that because we feel that there are certain things, like bacteriology, where you can get better quality when you have it centered all in one place.

Huth: Do they have that in northern California too? Do you know?

Kay: I'm not sure that they do. They've tried to copy it, but we bounce back and forth. Dr. Gordon has done an outstanding job in our laboratories, and I think he is a wonderful guy.

Huth: Has he been there very long?

Kay: Oh, yes. He's quit and come back twice. You know, he'd get big offers from outside and he'd go, but he didn't like it and he'd come back. He's really developed a wonderful service and it's an economy operation. As I said, he's in charge of all the labs.

As part of our lab system he and I as we went along said, "Look, you don't have enough work for two or three bacteriologists at each place." So if one guy was out you were lost in an area, so we centralized that. We centralized the Papanicolaou test, the cervical smears. We centralized a lot of things that you can do better by having it centralized. But there's always the argument--there are always people in the area who wonder why they can't have everything in their own lab. It's a constant struggle as to what you're going to have centralized, and what you're going to have locally, and usually you have some of both.

Huth: Who decides what you can have locally? Is there somebody who says, "We've got that in the central lab," and that's it?

Kay: Yes, you keep flexible. Your medical director and your head of your lab keep talking. We would change and they would stay flexible on the thing, and it may change with one area and not change with another. We don't have a set rule.

Huth: Do they do their own hiring?

Kay: Yes.

## Shared Efforts and the Role of Two Remarkable Nurses

Kay: Now we've got a lot of other people that work for us in there. We have union people, and then we have exempt people.

Huth: Certain jobs are exempt and are non-union?

Kay: Yes, and certain jobs are unionized.

My feeling is that the quality of the medical care is really a product of all the members of our organization, and all of these people are really very important too. I think sometimes we let them get lost and I think we shouldn't. I think we should help them get recognition. We have always felt that our exempt people were particularly important, and for a long time we had them share in the profits.

Huth: They don't do that anymore?

Kay: They don't do that now. They quit doing that when I retired. But I think that's important. And I told you earlier that in the early days we had Christmas parties for the children, and other times when we shared things together. Our feeling was that we shared participation in the care of the patients, and we shared the responsibilities, and we ought to share in the rewards of it.

Huth: Did it end when you retired because of the change in leadership?

Kay: I really don't remember. No, I really don't remember when it changed--before I left or after. I thought it was just good that they had that, but then when we stopped doing it, and I don't remember why we stopped, and I don't remember when we stopped--we put it in their salaries.

Huth: In one of the interviews that I read, an interview with Dr. Sidney Garfield back in 1974, he mentioned a person he thought was very important in setting up the nursing school and the hospital administration, and that was Dorothea Daniels. She died in 1966. Do you have any comments about her role? Was it only Dr. Garfield who thought she was important?

Kay: Oh, she was a very dynamic woman. She was Dr. Garfield's person. She set up the nursing school up north, and she ran the hospital there. And when she ran something, she ran it. I mean, this was her life. She wasn't married, she just had that and her little dog Snuffy, and that was her life.

When we started our hospital down here I wasn't particularly anxious to have Dorothea or anyone else come in. We had a supposedly very good man from this area, and we had a couple of them after that, and it really wasn't working very well. Then I had a woman by the name of Vera Lund,

Kay: who was a public health visiting nurse. We brought her in as a visiting nurse, but we weren't ready to set up our visiting nurse program. So she set up the clinics, and she was our head clinical administrator. For a while she went in as head of nursing in the hospital when we were having problems.

Then when we brought Dorothea Daniels down from up north, and I don't remember when that was--in about 1954 or '55, somewhere about then--I said to Vera, "Well, I hate to replace you, but if we're going to have a nursing administrator we aren't going to have a head nurse too." And Vera Lund said to me, "Dr. Kay, I really think that it's much more difficult running a clinic than it is a hospital, because in a hospital they are very ill people, and they're very satisfied to be there. In addition, we have been doing that for a long time. We haven't run clinics like we're having now, and that's a real challenge." And she said, "That's what I would rather do." So from then on she was our top person, and she trained all of our clinic administrators.

Dorothea was our key person in the hospital, and she ran a very tight ship. She really ran it. She was the head of it, and she was a very lovely, wonderful woman. I became very fond of her. She had her little dog Snuffy. Of course, you know you never have dogs in a hospital, but she had a drawer that that dog lived in all the time.

Huth: It must have been a small dog.

Kay: Oh, it was. It was a very little dog, but that was her life, and she ran a very excellent hospital.

Huth: Did she work here until her death then, or did she retire?

Kay: I really don't remember. When did you say she died?

Huth: 1966. She died of cancer. Dr. Garfield said this about her in 1974.

Kay: Oh, then she died before I retired as medical director. I didn't remember. Probably as she got sicker she retired, but I don't remember when she retired.

Huth: On disability?

Kay: Yes, but she contributed greatly and everybody remembers her--she's remembered with tremendous respect as a fine lady. She was one of the key people in those early days, as was Vera Lund. Her name now is Vera Larson. She got married and her husband has just died. She's a wonderful woman too.

Huth: So she's retired?

Kay: Yes. She lives in town.

Kay: I hope I've given you the understanding that though our doctors and our professionals were important, we felt in those days that all our people were important. We valued them, and as I said, one of the nicest compliments I ever had, I think I told you, was from one of our receptionists who was in a wheelchair. And she said, "You know, Dr. Kay, when you were here I felt my job was really important." And she said, "I guess that meant a lot to me, and I don't feel that way anymore." And we really did think they were all important. I still think they are, but I think sometimes they don't know it. I don't think we let them know it as much as I would like us to.

Planning for Membership Growth and to Prevent Facility Shortages in the Early 1950s

Huth: As there were periods of very rapid growth, when did you decide to set up a clinic or build a facility that had a clinic in it? Was there a tendency for catching up--or were there in the past times when you had catching up to do because of the number of members--of being a little behind and having more members than you had facilities for?

Kay: I think that's always been a problem from the very first. I think as I told you our biggest fight with the health plan was whether we should take new members that wanted to come in, particularly in the time when we felt that the number of members was getting too large for the facilities and the doctors we had. We would close the plan. I think we went over that.

Huth: Yes, we did. But I didn't ask if there was often this feeling of trying to catch up.

Kay: Very often, and that's why very early in the game we started trying to plan at least five years ahead.

Huth: Was that back when you started in 1949 that you began to do that?

Kay: No, not until 1952, '53, '54--right about then. In other words, we thought that building this two hundred bed hospital would be wonderful. But by the time we got it finished we were too tight. So we didn't have time to plan another one, which was to be in Panorama City, so we had to add a hundred beds. And then we had to add another one hundred beds. And we began to realize that we had to plan five years ahead.

So that's when we planned and set up, as I told you, a little clinic, and then we planned the hospital in Panorama. Then almost as soon as that was done we realized that we needed more. We added another one hundred beds here, and then we started the one in Bellflower. Bellflower didn't

Kay: take the load off Los Angeles as much as we thought it would. It took it more off the Harbor facility, so we quickly had to start planning one in West Los Angeles, and then we had to add another couple hundred beds to it, and build more new facilities.

So we were constantly fighting to keep up. But when I was medical director we tried to plan at least five years ahead. And we tried to plan it so that the number of members we were going to take would fit in with the hospital facilities, the clinic facilities, and the number of doctors.

Huth: Did you have a ratio?

Kay: Well, we had a rough one. Roughly we were aiming at two beds per thousand people. But we usually ran anywhere from one and one-half beds per thousand to one and one-eighth beds per thousand. And we aimed at one doctor for every thousand members. I'll come back to that when I talk about our contract with the Kaisers.

#### Getting Medical Society Acceptance for Kaiser Permanente Physicians

Huth: You have said that the major opposition of organized medicine to Kaiser was that it was a prepaid plan--the fact that it was not fee-for-service, but prepaid. Now what can you tell me about your relationship with the medical associations? You were always a member, dating from your days in private practice.

Kay: Oh, yes. As I told you, I didn't have too much of a problem with them on the national scene or even in California. They were against us. That was their policy. They were against the plan. They felt that this was socialized medicine, and that we were being hired by Mr. Henry Kaiser, Sr. They thought we were Kaiser doctors, and that this was a move toward the government taking over medicine, and they were just scared.

They would have fights with Mr. Kaiser and Dr. Garfield. And as I say, Mr. Kaiser had given fuel to the idea that we were working for him because he would take up battle with the society whenever there was a problem--to help Dr. Garfield out. But I told him that that was the wrong thing to do, that he shouldn't be doing it, but he did it in the best interests of the whole thing. But that's what they were fundamentally against.

Well, then when we started here, in the state and the country there was a general feeling of fear of our program. Here it was a very marked fear, although I knew a lot of the fellows who were heads of the medical society and the like, and I worked with the university, and we were very close to the university. They said they knew our care was good, but they

Kay: were afraid we were going to socialize medicine, and that it would hurt their practice. They were scared. As my friends on the board of directors of the medical society said, "Ray, we don't question your medicine. The guys are really frightened and scared."

So the result was that they started not admitting our guys when they applied to the society, neither here nor in San Bernardino County.

Huth: Was that from the beginning? Do you know about when?

Kay: It was early in the picture.

Well, what was really happening was that they were just not accepting our guys. That bothered us mainly because we were afraid that those men couldn't take their specialty boards, but the specialty boards did accept them in spite of that.

So as far as we were concerned I wasn't too worried about it. I figured we would let our quality of care stand for itself, and it was best not to get into politics with them. Then I think I told you about Foster, didn't I?

Huth: Yes, you did.

Kay: Then, as I told you, I wrote the letter. Well, then a fellow by the name of Dr. Turner became the president--the head of the Los Angeles County Medical Society.

By this time some of my doctors were saying, "Well, we ought to sue them. They have no right to keep us out." And they were right, so I said, "Let me meet with them and see what we can do."

So I met with Dr. Turner, and the medical society's lawyer, and I said, "I'm getting pressured to sue you and I don't want to sue." I said, "I don't want to because I think we'll win, but we will hurt our relationship even more." And they said, "That's right. You will win and we think that would be a very bad thing."

So we got together, and they said, "If you can hold your guys off for a couple of years, Ray--from suing--we will work on the board of directors of the medical society to change their thinking, and get them to accept them." Well, in short, that's what happened. I held my guys off. Our guys were admitted.

Huth: Did they admit a few at a time as happened at some other places?

Kay: Whoever applied. I don't remember the details of when, but gradually it got to where when our men wanted to join they did.

Kay: The same thing happened in San Bernardino County. We didn't meet with them. Los Angeles kept admitting our members, and gradually they did in San Bernardino County too. And now they want our members very much.

Huth: Do you think there have been any problems for doctors in private practice because Kaiser exists in Los Angeles and San Bernardino counties? Have they had any difficult times getting patients? That was one of the things they feared.

Kay: I don't think that at any time the incomes of the doctors in the area were affected where they were making less than our income.

Huth: So there were always plenty of people needing care?

Kay: I think there were plenty of people because there was a shortage of doctors, and there weren't any problems for them. I don't think that our program affected them. And then as I told you, in the Harbor area I tried to use doctors in private practice. So we didn't add any to the medical community. But they fought that too, and we finally had to bring some full time doctors into our Harbor group.

Huth: Yes, we got that very good story yesterday.

There were some problems for the doctors--how about the wives? Were they admitted to the medical auxiliary, and was that very important to the wives of Kaiser doctors?

Kay: I think some wives felt that they were not as much a part of the community as other doctors' wives. Yes, particularly in the smaller areas. But it didn't become a big problem--it didn't in any way stop us. And I'm sure that happened.

If you want me to answer more, tell me. Don't hesitate to push a buzzer.

Huth: No, I think that's fine.

I read that the head of the Los Angeles County Medical Society actually favored Kaiser coming into Los Angeles at the time you came in. I think it was in one of the Garfield interviews. Do you recall anything about that? Evidently the person who happened to head it at that time had privately said that he was in favor of it. I don't know the name.

Kay: I bet I know who he was--who it may have been--because he became the executive officer for the American College of Physicians later on--Rosenow, Ed Rosenow. His father, I think, had been the pathologist at the Mayo Clinic. Ed Rosenow was a friend of mine at the Los Angeles County General Hospital. He was a friend of mine, and I think he was pretty liberal towards us, now that I think about it. He was practicing in Pasadena, and he gave up practice and became the executive officer for the American College of Physicians. That's probably true.

Conflict With Labor Unions Over Medical Program Control

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Huth: What can you tell me about the criticism of the Kaiser medical program from the labor unions?

Kay: Well, it was not a criticism per se. It was more that they felt that the plan was for their members, and they wanted to have a certain control over it to make sure it fulfilled what they wanted, and it was a good thing and a bad thing. In other words, the unions did a tremendous amount to help us get started, and to help us gear up to do what was best for their members. Particularly Joe De Silva in Los Angeles was a tremendous influence.

But like all situations where you have two strong forces there was conflict for control at times. The unions would tend to want to tell Permanente what to do and how to do it. We wanted their opinions, but we didn't want anybody--labor, union, or management, or anybody--telling us what to do.

I remember one big union got me up in front of their board, and they said, "We don't think you're getting enough black doctors."

Huth: Do you remember which union?

Kay: No. We always brought them in. What we did--we didn't know what color or race they were. In other words we tried to pick the doctors for their qualities.

Huth: From the very beginning?

Kay: From the very beginning that was very important. I'm Jewish, and there were an awful lot of Jewish guys who wanted to come in because this fit their psychology, their thoughts. But I wanted to be careful not to get an undue balance with any group. Therefore I really wanted to pick the doctors on their qualities, but I didn't want to put us in a position where they would say we were black or Jewish or Korean or something. So I tried to keep a good balance. But I never took a doctor unless I thought he was of the caliber I wanted. And then I didn't care what his color was. Now they're going to make a black guy that we hired way back then chief of medicine here in Los Angeles.

But this union was very unjustified when they said, "We think you ought to hire more black guys." I'm sure they were getting pressured too. And I said, "We cannot have any interference at all. If your union in any way wants to invade our right to pick the doctors on their qualities, then I'd rather you pull your union out of the health plan. We cannot have any union do that." They backed away and stayed in, of course.



- Kay: But I really meant that, that I would never let anybody influence who we hired. It had to be on the quality of the doctors.
- Huth: Did you run into any opposition to hiring oriental or black doctors from other doctors who were in your group?
- Kay: No, I never did.

### Innovations in the Southern California Medical Partnership

- Huth: Will you please tell me about setting up the medical partnership? How does it differ from what was done in northern California and what exists today in northern California?
- Kay: From the corporation?
- Huth: Yes, the corporation they have set up there and elsewhere. In fact it seems that the partnership is only in Los Angeles.
- Kay: Well, let's go way back to when Garfield and I were dreaming. We always felt the doctors had to have their own partnership--that they didn't want to work for anybody. They had to participate and have it as theirs.

The northern group set up the first partnership in 1948, the Permanente Medical Group. We did not start our partnership until about 1952 because we wanted to let our doctors age a little bit, and get to know them, and make sure that we were getting an outstanding chief group.

So we formed our partnership, and they formed their partnership. Up to a point, having a board and the like, we used their pattern, but then we broke away from it soon because they had, more or less, a permanent board whereas we wanted a board that was really representative of the guys.

See, we had a medical director before they did. I mean Cece Cutting wasn't medical director as early as I was. They had a lot of strong guys there. They had Dr. A.L. Baritell, Dr. Cecil Cutting, Morrie Collen--all of those guys. They were all kind of milling around as to who was going to be head, and the like. Down here, I had the advantage of just not having anything like that. My key guys were very close friends of mine backing me up and working with me, and I never felt threatened.

- Huth: Would that have been Dr. Fred Scharles and Dr. Herman Weiner?
- Kay: Yes. Dr. Weiner, who I want to talk about later.
- Huth: Yes, I want to hear about those two later, when we talk about relationships.

Kay: Those two, and Dr. Irwin Klitsner, and T. Hart Baker. I had so many swell guys.

But at any rate we had our partnership, and then periodically people would say, "Well, gosh, shouldn't we change to a corporation so that it would be better economically?"

Well, if we were going to change to a corporation it meant that we had to divest ourselves of our employees. And that we never wanted to do. In other words if you had doctors owning the thing incorporated as members of the corporation, then there had to be a certain relationship of their salaries to that of all the other people in the corporation. And it meant that we had to divest ourselves of our employees. Our employees in our organization meant too much to us, and we therefore went over it two or three times, and each time we decided we were going to stay as a partnership.

Then long after I retired, when Dr. Frank Murray became head--about a year after that, but pretty recently--it was in the 1980s--the other groups became corporations. Then again there was a push as to whether we should incorporate. And again we decided we did not want to do it because we did not want to divest ourselves. I've tried not to butt in any more than I can help, but that was one decision I butted in on. I told Murray very strongly what I thought that would be like--and he agreed with me.

Huth: Were there other advantages to the corporation?

Kay: Well, really there were some advantages, and I don't remember the details now. There were some financial advantages.

Huth: To incorporate?

Kay: To incorporate, but now with the laws changing, and the like, there's really no advantage to incorporate. And as I say I'm sure we can look that up in my book, if you want to find out what the advantages were.

Huth: Well, we could just ask that question of other people.

Kay: Yes, ask some of the business people. But there were certain advantages, and periodically I made sure we hit that problem while I was medical director--two or three times. Each time we discarded it.

Then the last time, when Murray was medical director in the 1980s they finally decided not to do it, and then particularly because the laws were changing so there would be no financial advantage. And I think that was as important as the divesting problem.

Huth: You said that the partnership agreement you had was your own agreement. Did you pattern it after the agreement they had in northern California or did you completely do your own?

Kay: Well, at first we had a board of directors. But almost from the first they had a permanent board of directors. We didn't do that. We had medical directors who were board members as long as they were medical directors. But once they were not medical directors they were off the board. Then the vast majority were elected every three years.

I think from the very first we had a much more participatory partnership than they did. And we soon broke away in full. We wanted to do things our own way, and not use their particular pattern. I like to think we really set the patterns rather than follow them, but they may tell you differently. [laughter]

Retaining the Name: Permanente Medical Group in 1951

Huth: Yesterday we talked about the use of "Permanente" versus the use of the Kaiser name. Can you tell me more about that, and then the story that you told me this morning before this interview about the young man, the physician's assistant, who thought that the doctors were under Kaiser. I think that was related.

Kay: Oh, yes, I really lit into old Jim. Well, we're going to get into all of that in detail. That's a big thing.

Huth: Yes, I know we are, but first what can you tell me about the name?

Kay: The name. Did I tell you about the meeting up north? I'll tell you more about that later.

I think Mr. Henry Kaiser, Sr., in the early days was not that interested in the medical program, although he would always tell about how his mother was sick, and they didn't have the money for it, and he always swore he was going to help on medical care. He was a wonderful actor and really a dramatist. I'm sure it was probably true, I don't know. But he really was concerned about getting medical care as part of his projects. Once those projects were over he really wasn't that interested, and he had no interest in starting in southern California. All he wanted to do was take care of the Fontana steel plant.

I don't remember the dates of this, but when his wife died, his first wife Bess, that the Portland Kaiser hospital was named after\*--the only hospital that has a name like that--he married Ale, who was Dr.

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\*Bess Kaiser Hospital, Portland, Oregon.

Kay: Garfield's assistant, and with the marriage to Ale, he became much more interested in the medical care programs. He became vitally interested. He wanted to set up a program in Walnut Creek. They were living in Walnut Creek at that time. He wanted this facility to be separate from the rest of them. He wanted to pick the doctors he wanted there, and he wanted to build it the way he and Ale wanted it.

Well, this bothered the doctors. And this is going to lead us into the other thing. But at any rate we'll come back to that when we start on Walnut Creek.

Huth: Was it the medical program after World War II? Was there a changing status and a changing organization?

Kay: Yes, when we changed the name.

In 1951 he accepted the idea of using the Kaiser name for all the entities. And when we heard of it we agreed we had no right to question making the hospital the "Kaiser Hospital" instead of the "Permanente Hospital," or the health plan the Kaiser Health Plan instead of the "Permanente Health Plan," which it had been before that. But we did not want the medical group to be called the Kaiser Medical Group. We felt that was wrong. It implied that we were working for Kaiser, and it would have given the medical society the right to consider that we were working for him and that we were Kaiser doctors, so we insisted on this.

Well, I kept telling Sid Garfield, "Tell Mr. Kaiser." Well, he didn't do it, and didn't do it. So I went up there to Oakland. I was going up there for something else when he met me at the train (I love trains. I came by train) and when he met me he said, "Ray, you're going to have to talk to Mr. Kaiser about the name." And I said, "Oh my lord."

So we went to the building and we sat at this big long tremendous table. Across from me was Mr. Eugene Trefethen, who was Mr. Kaiser's key man. At one end was Mr. Kaiser and at one end was Garfield, and I was across from Trefethen. So they said, "Ray, tell Mr. Kaiser why you think the medical group shouldn't use the Kaiser name." So I told him the reasons. And Mr. Trefethen across from me said, "Well, Mr. Kaiser, I think there's some merit in what Ray is saying." Mr. Kaiser said, "Of course, of course, I wouldn't let him use my name. I don't want them to use my name. I wouldn't let them use my name," just as if we'd taken candy away from him, you know. The result is we kept the Permanente name.

And now you know there are some of the guys up north, particularly Dr. Morris Collen, who think that we should call it--instead of Permanente Medical Group--the Garfield Medical Group, and there's some push for that, but I don't think we could sell it.

Huth: Are these old friends of Dr. Garfield's, who would like to honor him?

Kay: Yes. Except there are some of the guys who didn't support him when he needed the support, you know? They'd forgotten that--so we don't tell them. But they are friends of Sid's, and they're all loyal to him. I think it has some merit.

I've been asked to be on a committee to help do a memorial for him. I would like to see us have an institute--the Garfield Institute of Medical Care Research--something like that, something that he would have been interested in. I know he would be interested in this, but that remains to be seen.

VII EVENTS PRECEDING, FOLLOW-UP, AND SIGNIFICANCE OF THE TAHOE CONFERENCE:  
CONFLICT RESOLUTION AND REORGANIZATION, 1950 TO 1958

Huth: Now, I want to ask you about the Tahoe Conference, events leading up to that, and the results.

Kay: Oh, the long part leading up to that.

Huth: I thought perhaps that fit in now.

Kay: Well, what we really should do to get into that is to trace the relationship of the medical group to the Kaiser entities over the years.

Huth: That's right. That's what the question has to do with.

Kay: This is a big subject and this will take us quite a while, but do you want to start on it?

Huth: We might as well begin on that.

Dr. Sidney Garfield: Bridge Between the Kaisers and the Physicians

Kay: Originally Dr. Garfield owned the hospital and the health plan. And he hired the doctors as Dr. Sidney Garfield and Associates. That was the way it was when I joined the group after the war except that the hospital became a nonprofit organization. Garfield paid rent to them, as I told you.

The health plan gradually, in about 1948 I would think, or 1949, became a separate organization. In other words it was financially independent, and it became a separate organization. Then in 1948 the first group of doctors broke away from Sidney Garfield and Associates and became a partnership. That was the northern group, the Permanente Medical Group.

Kay: So here we see that Sidney Garfield and Associates on the desert and at Grand Coulee Dam, and every place else, hired the doctors and ran the health plan and the hospitals. Gradually during the war years the hospital became a nonprofit corporation. Then in about 1948, the Permanente Health Plan, which it was called then, became big enough so it became a separate organization. At that time it was run for profit, but they wanted to make it nonprofit, and it eventually became nonprofit in 1962.

So here Garfield now no longer owned the hospitals. They were nonprofit organizations. The health plan was a profit organization, but it was really nonprofit, see. All he had was the medical groups. So they formed the partnership up north. Then in 1952, we formed our partnership. So now you had a separated health plan, and you had partnerships of doctors. And the health plan and the hospital had their boards of directors made up primarily of people in the Kaiser family business. And Dr. Garfield acted as a kind of go-between. In other words, in this area the people from the health plan and the hospital reported to me. I ran the medical group, but also, as to the health plan and the hospital, I administered them too theoretically. That was the way we decided we would function.

Huth: From 1949, when you started?

Kay: Yes. From 1949. So in '49 when I started, the medical group administered the health plan and the hospital in southern California. Yet, the northern medical group dealt with the board of directors who were the Kaiser people. They were Mr. Eugene Trefethen, Henry Kaiser, Sr., and those people. The family in Kaiser Industries was there. Those were the people you asked about, George E. Link, Henry Kaiser, Sr., "the old man," Trefethen, and those people.

Huth: What was their relationship to Los Angeles? It's fairly clear what their relationship was up north.

Kay: They were also the board for Los Angeles. Usually a hospital has a board locally. They were the board for hospitals wherever they were.

Huth: So you were under that board of directors in a way.

Kay: Well, they were the board of directors for my hospitals and the health plan, but those local administrators were responsible to me. Actually it was through Garfield who was our go-between. Garfield was really acting as the go-between between me and the hospitals and health plan boards in southern California. Although the doctors were supposedly running everything, actually the board was involved, and at the same time Garfield would coordinate. He'd come down and say, "Well, the board is saying it should be this way," and I'd say, "They don't have any right to do that." So we worked it out in that way.

Huth: Did you do it informally? In the discussions with Dr. Garfield, did you manage to come to compromises? In the end did the doctors accept what you'd come up with?

Kay: Well, if they didn't they could kick me out. In other words, as far as the doctors were concerned and the medical groups, see, I had my board of directors, and I had my partnership agreement, and I was responsible to them. Then I was responsible to Garfield and that board of directors as far as the health plan and hospital were concerned. And when they'd have a board meeting, we'd go up there and participate in it. Sid would talk to Mr. Trefethen and all the different people on the board. He acted as a kind of go-between. Really, I think I have it pretty well outlined in one of my speeches.

#### Henry Kaiser, Sr.: An Active Role in the Early 1950s

Kay: So that was working pretty well until about 1951, and '52, and again, it is in my speech. But in 1948 to '51 they changed the name to Kaiser, and then they developed these boards, and that began to worry us. In other words we started saying, "Are they jockeying it and getting control of this medical program?" And we didn't want that to happen.

By this time Mr. Henry Kaiser, Sr., was starting to get into the act. As I said, he was interested in it now because of Ale, and he wanted to start Walnut Creek, to choose his own doctors, and not have them be part of the medical group. And he wanted to have different salaries and everything. Well, the guys up north were very upset about it, and we were too to a lesser extent, but they weren't butting in with us.

#### Easing Out Sidney Garfield

Kay: But somewhere in there at that time Mr. Kaiser became disenchanted with Sid's role because he resisted Mr. Kaiser in some of the plans for Walnut Creek. He felt that Sid should no longer be vice-president of the hospitals and the health plan. And he was selling that to some of the doctors up north, and they were not supporting Sid. In other words, they supported him but they weren't going to bat for him. Some of them were even letting him be undermined.

The result was that as Mr. Kaiser wanted to ease Sid out more and more, and this is all in the book in detail here,\*he finally got to where Sid pulled out of all the medical groups. Then he got him to resign as the vice-president of the health plan and hospitals.

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\*Kay, Historical Review, 82.



Kay: When Mr. Kaiser became interested in the medical group he made a mistake repeatedly by insisting that the doctors practice medicine and leave the management to men of experience in the management field. And when the doctors became more resistant to this takeover, and particularly to starting in Walnut Creek, he was disenchanted with almost everyone.

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He was disenchanted, and he felt that Dr. Garfield should get the doctors to do what he wanted them to do. The doctors were not willing to do that, and as a result Dr. Garfield was caught in between, and I think he was blamed by both sides for the failure to work out problems.

We in southern California did not agree with Mr. Kaiser or the group in the north that Dr. Garfield was failing as an administrative bridge, and we wanted him to continue in this position, and we wanted him to continue the same arrangement we had before with Dr. Garfield as a bridge.

However, the northern group decided that all they wanted to do was to run the medical group. They didn't care. They were perfectly willing to let the Kaisers run the hospitals and the health plan. We didn't agree with that, but that's what they felt. And as a result they said, "Let us run the medical group, and you can do whatever you want to do with the health plan and the hospital."

Well, the Kaisers brought out Dr. Clifford Keene at that time. He had been the head doctor at Willow Run.\* And they brought him out with the idea of his being in charge of the health plan and the hospitals.

We were very resistant to that. When Keene came and talked to me I said, "If you want to be Dr. Garfield's assistant, we'll bat with you. If you want to take his place, forget it. We'll fight you all the way down." He said, "Oh, no." He wouldn't think of doing that. He wouldn't think of replacing Sid. But nevertheless he did pretty much do that. In other words he was filling in, and the like, and I thought he really didn't know how, and he hadn't had the experience, so he didn't enter into our operation in the south at all at that time.

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\*At the Kaiser-Frazer automobile plant at Willow Run, Michigan.

Conflict Over Kaisers' Health Care Management Takeover

Kay: About a year later the group up north felt that this was wrong, and they felt that the medical group should be involved with the health plan and the hospital. And they felt that, with the formation of the hospital and the health plan corporation, with their board of directors--that was taking all control away from the doctors. And they felt we, the doctors, should have members on that board of directors. In fact they even intimated that maybe the Kaisers ought to get out of it.

This was the start of the big fight. We didn't feel that being on the board would do any good, but we felt we had to have some understanding, and some security that we would be running the whole organization.

The Kaiser Industries' lawyers, and that included Scott Fleming, I think, made it clear that the medical director either had to be with the medical group or with the hospital and health plan. But he couldn't be with both because the health plan was a nonprofit organization, and the medical group was a profit organization. And they said we couldn't do that, so therefore they said to me, "You can either be head of the health plan and hospital, or you can be head of the medical group." Of course, I became head of the medical group. But from then on there was a struggle--who was going to control this whole organization?

They were saying, "Well, after all, we're going to have to borrow a lot of money and put a lot of money into this, and we want some control to be sure it's going to be economically sound." And we were saying, "Well, you don't have anything if you don't have the doctors. We have got to have the feeling that we are controlling the quality of care." I said, "I have to have security for my doctors." I said, "In ten years when our salaries get higher, you could come in and get a competing group of young guys for much less. So," I said, "we've got to have that security that you can't contract with anyone else in our area."

And that was known as the franchise clause. We insisted on that--that they not ever be able to contract with another group.

Huth: When you say "we" are you including the northern group?

Kay: No, just southern California, but they backed us up.

The struggle for control started with the health plan and the hospital backing Keene, and the medical groups now backing Garfield. But in the meantime they had gotten Garfield to resign as head of the health plan and the hospital. They made him manager of construction for new hospitals and facilities, and that was his position. He was also on the board of directors for the health plan and the hospital.

Kay: We were really concerned at the fact that they reformed the health plan and the hospital corporation. They now had their own boards of directors over which we had no control, and Mr. Kaiser was saying, "We've got to run the organization." We were very concerned, but they assured us that we would still have control.

The Working Council and the Tahoe Conference, 1954 and 1955

Kay: However, in 1953 and '54 there was a great increase in membership, and our organization grew in all directions. And we realized there had to be some reorganization because there was a need for multiple management skills, and we needed some financial planning, so we started having meetings between the Kaiser people and the representatives of the medical group.

Huth: When they began having meetings, were these up north?

Kay: Yes.

Huth: And would you go up for them?

Kay: Yes, I'd go up there, and I'd take Dr. Fred Scharles and Dr. Herman Weiner with me. We would go into the meetings, and it was a bitter fight, a really bitter fight. We kept doing that for about seven months.

Huth: Was this primarily in 1954?

Kay: Yes, early in '54. Then early in '55 began a very critical and traumatic period of disagreement and struggle as to who was to control the program. We'd have two day conferences, and what we called a working council. We would try to reconcile our incompatible viewpoints.

Huth: Where were the conferences held?

Kay: In Oakland, but as none of these problems were being resolved, a summit type conference was held in mid 1955 at the Kaiser estate at Lake Tahoe to decide whether it was possible or even desirable for the entities to continue working together--and if so how solutions to our insoluble problems could be found.

I might go back here at this point. While we were doing all this discussion before we went to Tahoe, Mr. Kaiser and one of his top men came down to Los Angeles and met with me in the Bel Air Hotel. We talked until about three in the morning. Finally at the end of this time he said, "You know, Raymond, if you and your group want to buy the hospital and the health plan we'll sell it to you." And I said, "Oh, Mr. Kaiser, we couldn't do that." I knew he was bluffing. I knew he wasn't going to sell it to us. But I thought it was worth exploring.

Kay: So now I had that in the back of my mind when we went up to Lake Tahoe for this big meeting. When Mr. Henry Kaiser, Sr., and his son Edgar Kaiser, and all of their staff, and all of the representatives of the medical group met at his house I told his son Edgar--I said, "Edgar, I'd like to talk to your dad while I'm up here about the possibility of buying the health plan and the hospital." He said, "Okay, I'll tell him."

Well, we went into this meeting, and I don't know if you know, but Mr. Henry Kaiser, Sr., used to take his shoes off when he got into the meeting.

Huth: No, I didn't know that.

Kay: He'd take his shoes off. And I was playing it carefully. I wasn't talking too much, which is hard for me, but I was just waiting to see how things were going. But every time I spoke he'd turn to me and say, "You're challenging me, Ray Kay. You're challenging me, and I won't stand for it." Then he started to put his shoes on to walk out of the meeting. But by the time he got his shoes on his son Edgar would talk him out of leaving. He did that about three times.

But we got by that meeting, and when we finally ended up that meeting and we had come to a point of agreement, he came and put his arm around me and said, "I knew we could work it out, Ray Kay. I knew we could work it out." [laughter] But this was the act of a cute guy really, you know? It was all an act I'm sure.

Huth: Were there any other tensions backing up the Tahoe Conference, other than the desire of the doctors to make sure they had charge of the things that had to do with patient care?

Kay: That we had control of the quality of care.

Huth: Yes, the quality of care, and then Kaiser's interest in good management?

Kay: Management and maintaining in the economic picture.

Huth: Were there any other things discussed there?

Kay: Oh, yes. I think he wanted control. In other words he resented like hell that he couldn't start Walnut Creek like he wanted to. And then when he finally started Hawaii, he did it absolutely independently of medical groups. He did it from scratch there, and he did it the way he wanted. He wanted control, and he didn't want any medical doctors telling him what he could do. He wasn't used to that. And so I think this was a big factor in there too, though I can't say. The fundamental thing was control of the care program. He felt it should be under management, and we felt it should be under us, and it was a question of who was going to dominate this program--who was going to control it.



The Kaiser family lodge at Lake Tahoe, scene of the Tahoe conference.



Kaiser Permanente medical care pioneers attend the presentation to Dr. Sidney Garfield of the Lyndon Baines Johnson Foundation Award for his significant contribution in the field of health care services, 1977. Left to right: Drs. Sidney Garfield, Raymond Kay, Morris Cullen, Cecil Cutting, and Mr. Edgar Kaiser.



Kay: After three days of continued exploration by the key representatives of the medical groups, Henry and Edgar, and the key men of the Kaiser staffs, several fundamental decisions were made. The main and basic decision was that the medical care program was of such value that it must be preserved. It was also recognized that all the entities and their expertise were essential, and that a working relationship based on partnership rather than control or domination must be developed. That was what the Tahoe Conference came out with.

#### The Advisory Council's Reorganization Efforts

Kay: As a result of the Tahoe Conference we set up an Advisory Council made up of key members of the health plan, the hospitals, and the medical group.

Huth: Do you know whose idea the Advisory Council was?

Kay: It just came up.

Huth: It was mutual.

Kay: Yes, mutual.

This Advisory Council was supposed to get an organization plan that would retain the medical groups' responsibility for the medical care, delegate the roles and responsibility of each entity, and cover major problem areas by contract. Then in the seven months of formal and many informal discussions we tried to explain to each other the essential elements of our respective concerns. The result was a reorganization plan that formed the basis of our present working relationship.

They came up with this plan, and we thought this plan really formed a working relationship that we could work with. We were willing to try it in southern California. They were not willing in northern California.

Huth: The reorganization plan came out of this Advisory Council that met regularly to hash it out, and try to get it right. Did you, in southern California, think they probably had come up with something workable?

Kay: We thought the basic idea was good, with each of the three organizations having its field of activity, and attempting to work together as a partnership rather than competing for domination, but we had certain reservations.

There were a lot of things in it we were not willing to accept, but the basic idea we felt was sound. But we did this by contract. For instance, they wanted to pay us for one doctor for every twelve hundred members. And we said, "That's where we are now, but we won't accept that

Kay: for the future because we want to break it down to at least one to one thousand. We need more doctors." They said, "But you don't have it." I said, "Fine, pay us for the doctors that we do have, and if we get up to one to one thousand, you pay us one to one thousand." In other words, we wanted that flexibility.

Another thing was that they wanted to put in the profit idea. They wanted to leave it there. But the profit that we had been getting we wanted as part of our salaries. And then we wanted to have a profit on top of that.

Well, we did that by compromise. We did it over two years time. In other words we would put our increases in income into building this into our salaries, but everything else like that worked out.

### Effective Partnership Building in Southern California

Kay: One of the most important things was this franchise clause. Trefethen and I would sit down, and a lot of us would too, but particularly Trefethen and I would sit down and say, "What are you really worried about? What do you want, and what do I want?" And we wanted control of the medical care. And we wanted a franchise to be sure that they couldn't come in and form other medical groups in our area. We agreed to this. This we worked out so the medical group and the health plan in that area would work together, and they would work only with each other.

So the differences we worked out, and we worked out a lot of other details. But fundamentally we thought we could do it, and we thought we're only going to find out by working together. We thought this was a good basis to learn how to work together in a partnership.

When the group up north didn't want to do it we said, "Will it hurt you if we do it?" They said, "No." So we went on and did it. They didn't. They didn't settle on anything. Part of our agreement was to have a retirement program. Well, they didn't start their retirement program. We started a retirement program right then.

One of the things we thought about was that we felt key positions should be acceptable to both sides. In other words their managers of the health plan and the hospital should be acceptable to us. Well, they wanted us to take Karl Steil. And though I had some reservations I thought it certainly warranted trying. So we said, "We'll accept that." But the northern group did not want Fred Tennant, and they wanted to put Tennant in up north. The medical group didn't want him, and that was a big basis for unhappiness there.

Huth: And it was the Kaisers that wanted Tennant in?



Kay: Yes, and Trefethen made the appointment in spite of what the medical group wanted, which I thought was a grave mistake.

But it was never happy there. They were never content, never worked together. Well, Steil and I had our differences down here, but fundamentally we came to realize that the only way we were going to make this a success was to work together as a true partnership. So we had councils and everything, but in these we were trying to save face as we had a bunch of people there at the meetings.

For instance, one cute thing was the question of how to answer the phone, whether you answer it, "This is Kaiser Permanente," or "Permanente Kaiser." We had a big group of twenty people there and Steil said, "It's got to be Kaiser Permanente." And I said, "Well, some of my guys don't want it." One of my guys, this Buck Wallin, had even made a survey of the calls, and he found that sixty or seventy percent of them were for Permanente. And I couldn't let those guys down. So I said to Steil, "Why don't we let them answer the way they want to at each place?" "Uh-uh," he wouldn't do that. So I said, "Well, if that's the case then it's got to be Permanente Kaiser."

After that meeting he and I got together and said, "This is stupid. We're getting up there, and we're making a big showing. We can't be wrong. We can't give in. Why don't we cut these damn meetings out and let's you and I fight it out," which is what we did, and we learned to work together.

I never had the confidence in him that I had in Jim Vohs. But I had a working confidence. And I think he was smart enough, and I was smart enough to know we had to work together. So we did and we built a good relationship between our organizations.

Huth: He was in that position for a number of years. Was that as health plan manager?

Kay: Well, he started here as the health plan manager. But then when his brother Paul got in one of our crises and had to leave the group, he then took over.

Huth: What happened there?

Kay: That's another story. We're going to come to that in the crises discussion later.

His brother Paul was an excellent sharp guy--tremendous, but he had a disease for intrigue. He got intrigued in Lockheed Aircraft Company. He got intrigued in Rexall Drug Company, and he got intrigued with us. Then he went to Kaiser-Frazer automobiles, and got intrigued there. He was a smart guy, and I give him credit for an awful lot. I learned how to spend money from him. I learned how not to spend money, really. He was a man about town.

Huth: He knew how to hide things?

Kay: Yes, he was an operator, but a very smart guy, and he contributed a lot. He sent me to this crisis that we'll talk about as the Oyster House crisis.

Huth: That's later. I've got some questions about that.

Kay: Yes. It became impossible for him to work for us, and his brother took over, see.

Huth: So Karl Steil took over for Paul.

Kay: Right.

Huth: And Paul Steil was in what position?

Kay: He was the representative for the health plan and the hospital in the area. He was the guy I worked with just as later I worked with Karl, and then with Jim Vohs. I want to come back to Karl Steil's move up north when we get to the San Diego thing.

#### The Medical Service Agreement: Cooperative Administration

Kay: At any rate we set up the arrangement, and this is in here. [indicating his book] The various issues were to be agreed upon by a contract to be known as the Medical Service Agreement. The health plan, the hospitals, and the medical group were established as separate entities, each with its own management team, and its specific duties and responsibilities. This Medical Service Agreement identified those areas in which the authority and responsibility of the medical group would be primary, and others in which the authority and responsibility of the hospital and the health plan would be primary. In addition we recognized that the responsibility and control would have to be shared, and that no entity should make unilateral decisions on matters of importance to the whole program such as health plan membership growth. If they grew to take members that we couldn't take care of, we couldn't give good service. So we had to agree to the membership that they would get, health plan dues--I'll come to a story about that in a minute--the health plan coverage, and the needed facilities. These were to be by joint agreement. We learned that by working at it, see.

Did I tell you that one year--and this is with Jim Vohs now--the health plan wanted to have a year with no raise in dues. I said, "Jeez, Jim, what does that mean for next year?" "Well, there would be a big raise then--a dollar and a quarter." And I said, "I don't think it's going to do us any good. They're going to pat us on the head for this

Kay: one year and say, 'Isn't that great.' And the next year they're going to be upset as hell." Well, we fought and argued for several months on that. I went up north to talk to Trefethen, and everything.

Finally Jim Vohs said, "Well, Ray. We've heard you. We've heard your reasons, and we've heard your ideas, but it's the prerogative of the health plan to set the dues." And then he said, "We're not going to raise them this year." I said, "Fine, Jim." I said, "If you do that then we're going to have to have a separate health plan for the medical group because we are not going to have a health plan where our voice isn't heard in setting the dues for our care." He said, "Well, what do you think we ought to do?" I said, "I think we've got to keep talking until we find something that's acceptable to both."

It was very simple when we did it. What we did was we said, "Okay, it was going to be a dollar and a quarter next year, and nothing this year." We said--and I don't remember whose idea this was--I'm sure it evolved by talking, "We'll raise the dues seventy-five cents this year, but we'll put that money in the bank because we don't need it this year. And if that seventy-five cents plus that same seventy-five cents the second year is enough, we won't have to raise it the second year." But we agreed to make that happen. And we would break our necks to have it so they wouldn't have to raise it that second year. And they agreed that if we did need it for good medical care, they would raise it. Well, to make a long story short, we did it and we didn't have to raise the dues.

This is where we established the absolutely essential thing--that important decisions like this, affecting the whole program, had to be by joint agreement.

Huth: That's a good description for that.

Kay: The cash generation method for facilities is important, and how we came on that. The four percent came from the four percent factor, which was four percent of the value of the hospital land, the buildings and equipment, plus depreciation, and the hospital's share of divisible service.

In each area a separate business corporation was established, and that was the Permanente Services Corporation, as a service organization to provide support services on a cost basis.

Huth: Those services were mainly for the administrative offices?

Kay: Yes, for employee benefits, supplies, bookkeeping--

Huth: Was it for running the office--all the things related to running the office?

Kay: Yes, and then I told you about the franchise clause. Again, that was to protect our men so they could not come into our area with younger guys.

However, there were many issues in that Medical Service Agreement. But the significant principle established was that all entities were dedicated to work together as a true partnership without the need to control or dominate. It further established the means of identifying entity authority and responsibility, and meeting problems as they arise through their contract, the Medical Service Agreement. Thus, our reorganization program fostered partnership between all entities. But it was honestly only after several years of meeting issues and problems together, and working out mutually accepted principles, that we really realized that our successful functioning depended solely on our working together as a true partnership. You had to work at it.

Huth: Would you call that a team?

Kay: No, a partnership.

#### Developing Essential Working Relationships

Kay: The interesting thing is that once working relationships and principles were firmly established we expected them to be perpetuated.

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Each new group of leaders has to review these basic principles and work out their relationships together.

Huth: Do they go over it? Do they actually meet and discuss how they're going to do it?

Kay: No.

Huth: They inherit it from the group before, but they don't necessarily accept it. Is that it? They may try to change it?

Kay: No, more likely they just don't get along or they don't have the experience, see. For instance, when I quit Jim Vohs was still there. Jim came in (and I'll show you more when we talk about San Diego) when Karl Steil was moved up north. Jim Vohs came in as his assistant, and he eventually became regional manager here. Jim and I worked together for a number of years. So we got to know how to work together. We had confidence in each other, and we knew that we had to work as a team.

Kay: Well, then when Weiner took over, he wasn't really here long enough to develop a good relationship. And he was so intense on getting what the doctors wanted so that he could satisfy the doctors that he would tell Jim Vohs, "I've got to have that," and the like. Well, then when Weiner quit, and Baker took over, Baker, as I said was a swell chief of service. He set up a wonderful residency program, and I had made him director of L.A. the last few years.

Huth: What was his first name?

Kay: T. Hart Baker.

So he was medical director, but he really hadn't had any experience. He'd had no experience from the point of view of the group as a whole, and in the relationships with the health plan.

At the same time Jim Vohs moved up to Oakland, and Dan Wagster-- Daniel Wagster took over Jim Vohs' position. He's up in Portland now. At that time Dan Wagster's wife was very ill, and was dying of cancer. It was a very difficult time for him, and it was a difficult time for Baker. They were just not able to work well together. They never developed a good working relationship. Then--I don't remember the exact time--later when Wagster went up to Portland--he and Marv Goldberg worked together. Marv Goldberg went up from San Diego to be the head of the medical group up in Portland. Scott Fleming had been back at the Central Office for quite a while. Carl Berner was up north in Portland, and he came down here. Then Wagster went up there. They traded, I think. Then Berner and Baker had to learn to work together here. It was tough going, but they were making improvements. Now when Baker retired then Frank Murray took over. And he and Berner have developed a very good relationship, so they're now back on track.

So you see what I meant? In other words Jim and I had a swell relationship. But when you take a new guy--Weiner, who was insecure and wasn't able to do it, and then Baker, who was inexperienced at working with Wagster, who was having a lot of problems, and they just couldn't work together. They'd both come and tell me, "God! I can't work with that guy." "It's terrible," you know?

Huth: So that's what you mean--that each time they come in, they have to work it out themselves.

Kay: They have to work it out, yes.

Huth: On paper it may look like it could go very smoothly, but then you have the personalities, and the way of working of the people, and who they know and like and get along with.

Kay: Exactly right. And it's experience, and knowing how. I fought with everybody more than anybody else did, but you must fight with the idea of finding a solution. And we had the experience to do it. These new things made it difficult. Baker was a proud southerner. Dan was a worried upset guy, and they just never got together. I loved them both, and I enjoyed working with both of them, but they just couldn't get it going.

Then when Carl Berner came in he had trouble too. All of us have our problems.

Huth: Did you have any problems working with Karl Steil?

Kay: No, he did all right. I'll come to that. He did very well up north, but something's happening there now. They made him retire. I don't know too much about that.

Yes, you've captured it. We thought we'd worked out all these principles we worked on all these years. And we made them work from '56 to--fourteen years. But when other guys took them over they really weren't changed, but they didn't work. And finally they had to learn to work together. I think Murray and Carl Berner have learned that, and they are doing very well now.

Now do you know that Carl Berner has cancer of the lung.

Huth: No, I didn't know that.

Kay: Yes, he looked fine the last time I saw him.

Huth: Is he still working?

Kay: Yes, he's kind of working.

Well, does that bring you through that?

Huth: That pretty much got me through that, and that's quite a story. That all had to do with the Lake Tahoe Conference, and then the partnership afterwards.

Kay: Yes. Out of that we recognized that neither one could dominate or control. And that it was a thing where each one had contributions to make, and that those contributions should be written in a medical service agreement--a contract, and they had to learn to work together for a common cause.

Huth: How often do they renew that contract?

Kay: Every year. It's been changed very little since we worked it out.

Huth: But they go over it each year?

Kay: Yes. They have to change it for the monetary part.

Huth: You said that northern California didn't do it.

Kay: They didn't accept it. No, they didn't accept it.

Huth: When did they approve it?

Kay: Well, they never really did. Well, I don't know. They didn't for quite a while.

Disgruntled Northern California Physicians and their San Diego Proposal in 1961

Kay: Why don't we do the San Diego thing here.

Huth: Shall we go back later to the northern California group's nonacceptance?

Kay: No, this will lead into it.

Huth: All right. I've got my questions ready on San Diego.

Kay: Well, let me follow with this, and then I figure it will answer your questions.

The northern group accepted the Tahoe agreement, and they worked under the conditions with Fred Tennant as the one in charge of the health plan and the hospital. But they were never happy. They never accepted it as the basic way of doing things. They resented it, and as a result the health plan and the hospital had no respect for the medical group nor the medical group for them.

Then in 1961 the medical group from up north came down to us and said, "You have the franchise in southern California south of Tehachapi, but we'd like to start a health plan in San Diego." And my response was, "Well, how come?" Well, they wanted to do it independent of the Kaisers. They didn't want to contract with the Kaisers. That medical group wanted to have their own health plan and hospital in the San Diego area.

Huth: And that was only northern California doctors?

Kay: Yes.

Huth: Was it all of them or just a few?

Kay: Oh, no, it was the whole group. Their representatives came down and said that they wanted to start a plan.

Huth: They came to you.

Kay: Yes, because they couldn't do it unless we agreed. They wanted the rights to do it.

So we said, "Jeez, is that good to do that to the Kaisers?" Well, they had never had any satisfaction in working with the Kaisers up north. They felt that they'd forced Tennant on them, and they really didn't have a good relationship there. They wanted to do it by themselves independent of the Kaisers.

So we said, "Well, we wouldn't stand in your way." But then the more we thought about it, "This is fundamentally wrong." This was breaking what we planned to do--to work together, and we said to the Kaisers, "We don't blame them. We understand their feelings. They feel that they really don't have a true partnership, and they feel that Tennant has been forced on them, and they never learned to work together as we have in southern California." I said, "In other words they do not trust the Central Office because the Central Office--Trefethen, Keene, and all of them--weren't really backing it so that Tennant, the health plan, and the hospital worked together with the medical group."

So we said, "We don't have any confidence in the Central Office either. We're just able to work it out, Jim Vohs and myself here locally, and we think that the same kind of agreement has to be made in northern California." So I went up and I told Trefethen, "I think you pulled a boner. When you put Tennant in, you forced them to take someone. They've never had a good relationship, and they're never going to have one unless you respect them and put someone in that they have confidence in--someone that knows the importance of partnership." So we said, "Steil has worked here with it. Why don't you take Steil up north, and let them develop the same kind of relationship we have down here."

To make a long story short that's what they did. In other words, they fired Tennant, and they brought Steil up there. Steil was sold on the concept, and felt that he was going to bring them the same kind of relationship that we had here, and it worked out swell. Steil and Cutting worked fine together. They worked with a good relationship, and they got a good organization set up.

#### Explaining the Proposal to Henry Kaiser, Sr., in Hawaii

Kay: In the meantime, Mr. Kaiser was very angry at the northern group. He would have nothing to do with them. "Never ever." [imitating Mr. Kaiser's manner of speaking] And so I went over to Hawaii with Edgar. We tried to explain to his dad what had happened, why they wanted to go to San Diego, and I think we did. I think his dad pulled back on it, and everything went all right.



Huth: Did he take your explanation at that time because Edgar went along with it--because Edgar understood it?

Kay: Well, I think they both did. At least they acted on it. Let's put it that way.

Huth: They acted as if they understood?

Kay: They acted, and it worked great.

Huth: And what did you say to them to try to get them to understand what was going on? What was your approach?

Kay: That we decided that Tahoe and throughout our whole thing that we had to work in partnership, and we had to have confidence in each other, and work together. They weren't doing that up north. We were doing it in southern California, and it was working swell. They had to have people that believed in this, and we felt they should work in it.

When Trefethen put a guy in that the group didn't want, he told that guy, "Screw them. Don't worry about them."

Huth: Did other Kaiser people go along with that?

Kay: I think that's what the Kaiser management did when they did that. I said, "I think you've got to respect their thing and you've got to get people in that believe in working together," and Karl Steil did a swell job. He did a wonderful job.

Huth: Was that when you suggested Karl Steil? When you went over there? Or was that earlier?

Kay: I did that with Trefethen.

Huth: Did they pretty much accept what Trefethen said he would do? If Trefethen told Edgar and Henry that they should bring up Karl Steil would they do that?

Kay: Trefethen was the main guy. Edgar was a sweet lovely guy. When we'd have the fights, we'd go to Edgar. But Edgar would agree with everybody, and he was a sweet guy. Trefethen was the guy we had to fight with, and Trefethen was the guy you really had to work out a problem with. He was the one that counted. Mr. Kaiser was God off in the distance. Really Gene Trefethen and I worked together more than anybody else. We fought terribly. He would come up at the end of a meeting (we would have been really fighting) and say, "You son-of-a-bitch, Ray," and we'd shake hands. [laughter] But I had tremendous respect for Gene Trefethen, and I think the things we accomplished were accomplished a lot because of Gene.

Huth: Now after you went over to Hawaii and talked to the Kaisers and you told them that things weren't working out in northern California because they weren't getting together, did it change after that? Did they listen?

Kay: Oh, yes. Sure, sure. First of all they recognized that that was the problem. They removed Tennant and they put in Steil. Steil knew why he was there--that it was to get along with the medical group. He took the lessons that we'd learned here.

Cece Cutting is a real sweet guy. He's not a strong administrator, you know. In all these fights if you got him real mad, then he was stronger, but he's not enough of a son-of-a-bitch. You know what I mean? When he had a nice guy that wanted to satisfy, it worked. He and Steil became real good friends, and they did a swell job.

I think we were able to be the catalyst because we'd had the experience already of bringing things together. We had a guy that could do it. It was real good ground for it, and it worked swell.

Huth: Since they worked that out, has it worked well and continued?

Kay: Oh, yes, and they didn't go to San Diego. They dropped that. We said, "We don't mind if they want to do it because they haven't developed what we all agreed to--in the north. We think that what you ought to do is get that straightened out, and that the guys shouldn't go to San Diego."

Huth: Were they thinking of going to San Diego because they thought they could work out something so they could be in control, be independent, and have their own thing?

Kay: They wanted some operation that was theirs.

Huth: Without the interruptions or interferences they saw coming into it.

Kay: I didn't have any confidence in Keene at all. I didn't think that he knew what the hell he was doing or anything. But we became good friends. He was a colonel from the army, kind of a pompous guy, and he really didn't know a lot about the program. Here's Sid, who knew so much about everything.

Huth: I am going to have to stop now and come back. That's a very important story.

Did Dr. John (Jack) Smillie have anything to do with the San Diego venture? I have his name down as someone to ask about that.

Kay: I don't know. He might have been involved. He was chief of pediatrics in San Francisco. Then he became medical director in San Francisco. Then he became assistant medical director working under Cutting. Now when those times were and what Jack's part in it was, I don't remember. But I remember that they had a committee come down and talk to us.

Huth: Then he might have been on it?

Kay: Yes.

Huth: It's good to get your story before I talk to him.

##

Pursuing Improved Relationships with the Central Office

[Date of Interview: March 29, 1985]

Huth: The last time we met, we talked about San Diego and the northern California medical group's plans to go down there. We talked about Dr. Clifford Keene coming in. Would you like to continue telling me about Dr. Keene and medical group relationships with the Central Office?

Kay: Yes, I think we made the point about San Diego that the northern group wanted to go there because they wanted what they felt was their own operation. They did not feel that the existing one in northern California was really theirs because Mr. Trefethen had put in a regional manager who was not acceptable to them.

Huth: This was Fred Tennant?

Kay: Yes, Fred Tennant, and we went on from there to explain that we felt that they shouldn't do that, but we felt that the Kaisers should know why they wanted to go there. That was due to the fact that they didn't have confidence in the Central Office. We told the Kaiser people, particularly Mr. Eugene Trefethen, Mr. Henry Kaiser, Sr., and Edgar--that we didn't have confidence in the Central Office either, and that they should build up a kind of relationship between the Kaiser entities and the medical group in northern California similar to what we had in southern California. The result of that, as you remember, was that they removed Tennant, and they took Karl Steil from our area to replace him.

Huth: Did they move Mr. Tennant to another job? Did they retire him?

Kay: No, he eventually ended up in San Diego--not with us, but with this other group that we replaced, which I'll come to. So they dropped Tennant and they followed our advice. It worked out very well. Mr. Steil and Dr. Cecil Cutting as medical director developed a fine relationship, and I think they had the same kind of good feeling about the relationship that we did.

Kay: Now in doing this we talked about Dr. Clifford Keene, who was the head of the Central Office at that time. Cliff Keene really came into our organization, the medical organization, in a not particularly happy way. I think I told about that when we discussed our struggle for control with the Kaisers. In other words, Dr. Keene came from Willow Run, Michigan, where he was with the Kaiser automobiles operation when the northern medical group told the Kaisers that they didn't care about running the health plan and the hospital.

Keene had no experience with our organization. He really knew nothing about it, and we felt that he was replacing Garfield, which was unfair and not right. As a result in those early years there was not a very good relationship between Dr. Keene and the rest of us.

Huth: Would you say that was true of the other facilities too?

Kay: Well, during this fight--yes. All the medical groups were against Keene during that crisis with the Kaisers. I think we all adjusted to having him, but I don't think we felt he had the experience and the knowledge about it that we did. And we also didn't feel that the Central Office should have undue power. We felt, and I still feel, that the main center of the operation is in the regions. And Jim Vohs when he was here and myself felt very strongly that we wanted the Central Office to coordinate, but not necessarily to take undue power or have undue expenditures of money. So it was just natural that we felt that the Central Office didn't have the experience. We felt that the greatest importance was at the regions, and therefore we weren't overly anxious to give Dr. Keene any undue power.

So I think in the years past that we got along very comfortably with Keene. We worked together because we understood each other, and we tried to keep a good balance between the Central Office and the region. I think he respected the regions, and he respected the control we felt we had to have, and I think it worked very well.

#### The Kaiser Permanente Committee

Huth: Has the organization that was set up between the Central Office and the regions changed since Dr. Keene came, or has it tended to stay about the same? Were there some changes along the way in what the Central Office did? You said that you didn't want Dr. Keene to have too much power then. What happened?

Kay: Part of that led to the Kaiser Permanente Committee.

Huth: Well, maybe it's time to talk about that.

Huth: Did they work out what the role of the Central Office would be? Did the regions push for or help set up this committee?

Kay: No, we never did spell it out. Now Jim Vohs is there. He is president of the health plan and the hospital, and that's it. They really do not have any control over the medical group at all, but it's how we have worked out relationships.

Carl Berner, Karl Steil, and the different ones report to that office. He's their boss. Similarly at the time when Keene was there, theoretically Jim Vohs reported to Keene. But actually Jim Vohs and I had to work together here, and we would try to work out the things that we felt were necessary for our area. As far as the hospital and the health plan were concerned, he had to get the approval of Dr. Keene. Do you see the relationships?

In other words, that Central Office has control of the health plan and the hospital in all areas through their regional managers. Jim and I felt when we were here, and I still feel, it's the best arrangement, that the medical director and the regional manager of the health plan and the hospital have to work out their problems, and then get the approval. The regional manager has to get his approval from the Central Office, and the medical director has to get his approval from the board of directors and his partnership. Does that give you a picture?

Huth: Yes, that's a good picture of how it works.

Kay: Then, I'd like to explain what was happening that led to the Kaiser Permanente Committee.

Huth: Was that established in 1967?

Kay: Yes, that was established in 1967. But what was happening was that we really had no organization where we met formally except once every six months in the early 1960s Dr. Keene had what he called a physicians' forum. We would discuss things and Howard Spaulding, who was the economics director in Keene's office and our regional controller, would make reports on how the different areas were doing--what our salaries were, and the like.

Then in addition to that more and more people were saying they wanted our advice and they wanted us to send somebody to help them start a group. And then other places like Detroit, Cleveland, and Denver, and the like, wanted us to start a health plan there. Everybody was saying, "Oh, yes, Kaiser Permanente can do it on the coast, but could they do it east of the Rockies," so that was kind of a challenge to everybody. "Oh, the hell we can't. We'll show them." Except I never agreed with that. I didn't think we should do it as a challenge.

## Requests for Advice and Expansion to New Areas

Kay: As requests for consultation and for starting new groups came in to that Central Office, Keene would take care of it. He would tell somebody, "Go there," or he would send a team. Well, finally Detroit came up and Walter Reuther asked Edgar Kaiser if we wanted to take over the Detroit group that took care of the auto workers, and to send a team there. So Cliff Keene says, "We're going to send our first team, Ray. I want you to go, and Karl Steil." I don't remember if it was Jim Vohs, or Karl Steil, maybe both of them, and somebody else. He said, "Go back there, and look it over, and see if we should take it over."

I said, "No, I won't do that unless the medical directors want me to. I think that when we address ourselves to consultation, and to starting new groups, it should be the voice of the Kaiser entities, but also the medical directors." And I think we should go. Well, they asked me to go, so I went.

Huth: Do you mean that the medical directors wanted you to go?

Kay: Yes, the medical directors. We polled them and they wanted me to go, so I went.

To make a long story short, we decided not to go there. I thought that was not the place to take our challenge.

Huth: Once you got there you decided that was not the place?

Kay: Yes. I decided that we couldn't form a good group and do the things we wanted to do. And they agreed with me. But it made some of us realize that we ought to have somebody that people could come to for consultation, and the like, and a way to coordinate the thinking of all our entities in an informal way.

Well, to answer the requests for consultations and expansion, we talked about setting up an organization to function just as a consulting body. But I think Art Weissman convinced us that that wasn't a good idea. First of all we didn't have enough people to spread around, people that knew enough about it to do that. In addition we thought that maybe we could do it in an informal way, and it was that thinking that led to the Kaiser Permanente Committee.

Huth: As to Art Weissman--what was his role?

Kay: He was the advisor on social and economic things. In other words, he would plan and advise us as to what we should cover on the health plan, what should be our basic policies regarding the health plan, and what we should do about setting up the dues.

Huth: Was he in the Central Office?

- Kay: Yes, he was in the Central Office. And he was instrumental in the refinement of our basic thinking and the basic principles that we would have and develop in the whole organization, and then particularly in regard to what benefits we would give the members, and what we would charge them.
- Huth: Where is he now?
- Kay: He's dead. He died, and they have a lecture up there on behalf of him at the University of California. He was a wonderful guy, really a wonderful guy. I felt he was more the spirit of Permanente than anybody else almost.
- Huth: Was that as to what it was all about? Was he with the group for a long time? One of the old-timers?
- Kay: Yes, longer than I was.
- Huth: Even before 1949?
- Kay: I think he was there before then. I'm not sure, but I think he was.
- Huth: I'm glad you talked about him.
- Kay: And then we talked at that time, and we recommended the formation of a permanent committee, the Kaiser Permanente Committee, to consider and make recommendations on subjects, such as expansion, and providing for consultations that involved the whole program. My book will tell you all the details of it--who was on the committee, who were the chairmen of the committee, what our basic ideas were, and how we functioned.\* But it's become increasingly important.
- Huth: It still exists?
- Kay: Oh, yes. It's very important. I think it's one of the best things we ever did. They don't vote. We decide by consensus of opinion what we should do.
- Huth: I'm glad we talked about that. Do you have anything else you want to say about the committee or shall we move on to the next question?
- Kay: When we were talking about that, I thought we might talk next about San Diego.

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\*Kay, Historical Review, pp. 102-105.

Expansion to San Diego in 1966

Huth: Yes. Now that we've talked about the northern California group going down to San Diego, I'd like to hear about southern California going down to San Diego, and what they did. Was that an expansion into San Diego?

Kay: Yes, it sure was. According to our contract we had the franchise from Tehachapi down, so this was in our area.

Huth: From Tehachapi all the way to the Mexican border?

Kay: Yes, maybe even into Mexico. Who knows?

Well, then in 1966 we were approached by the San Diego Community Health Plan, a prepaid group that could no longer provide service to members in the San Diego area, and they wanted us to take it over. The health plan and I felt this was a natural expansion, that it completed our program in this area, and that there were thirty or forty thousand members down there that really needed care. They were different groups.

Huth: Were federal employees included?

Kay: All kinds.

Huth: It wasn't any particular group.

Kay: No, no particular group. This San Diego Community Health Plan was taking care of about thirty thousand people, and they were failing. They couldn't do it. They had a group of doctors, a hospital, and a clinic in town.

We went down and looked it over. I felt that a lot of the doctors there were not of the quality that I wanted, but there were some pretty good doctors. I thought we could weed out those that were not good, and that we could build a good program there. We could also bring some of our people from this area down there as a nucleus. Well, I got a lot of opposition.

Huth: From where?

Kay: From my board. Dr. Weiner was against me. Dr. Baker was against me. Most of the board was against me. Dr. Scharles was with me, but the more I looked into it the more I felt that we ought to do it. I arranged for doing it with the health plan. The men in town that were against it were afraid. Number one, most of them were from L.A., we were short of doctors, and they were afraid that San Diego would take doctors away from Los Angeles where we needed them. They also felt we would lose money because it was losing money already. And they felt that it would not be of the quality that we wanted.



Kay: I arranged with the health plan so we could not lose money, so they would do that separate from our organization, and so they would take in the losses--until we could make it pay. But incidentally we made it pay within a year. Dr. Buck Wallin went down there and he with a few other of our guys did a wonderful job. It paid its way within a year.

At any rate a lot of them were very much against it. Every board meeting we'd take it up. Then I decided, well, I was going to take the whole board down there, spend a day or two, and let them see it. But before we did that I said, "Before you go down, let's take a vote to see what it would be now, and then see what it would be when we get back." They voted and yes, the vote was against me.

Huth: Was it like a straw vote that didn't count?

Kay: Yes, oh that didn't count. I just wanted to see. I said, "This doesn't count."

So when we got back we had another vote, and we won by one vote. That one vote was Dr. Jack Gordon, who was in Sweden looking at a lab machine that we were thinking about. He left his proxy with me. [laughter] The guys to this day say I kept having them vote until I could win. And then they'd blame Jack Gordon for giving me that vote. But it's worked out.

That's a wonderful program down there. I'm very proud of it. It really completed our thing. It was a struggle, but the people that I sent down there, particularly Buck Wallin, just did a magnificent job. And they've built up a group that we're really proud of.

Now greater detail of that is in the book too.\*

Huth: So anyone reading this oral history can look further in your book for greater details.

Kay: Yes. I've been getting all set today for this. Now what do you want to do, Ora?

#### Allocating Discretionary Special Services Funds

Huth: Now will you please tell me about the community service funds. How do you work that out?

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\*Kay, Historical Review, p. 11.

Kay: Well, originally the hospital was a nonprofit organization. But to stay nonprofit, our lawyers told us we had to spend 5 percent of our income from the hospital for charity and research. That at that time was called our eleemosynary fund.

Huth: Eleemosynary. That's an interesting name for it.

Kay: It's in my book too.\*

It would be our eleemosynary fund. And in 1957 we didn't know too much about it in southern California. They were using it for research up north, but all of the money was coming from all of our areas, so we said, "What the hell. Why don't we get the use of it too!"

Huth: Where did it come from? Was it all from the hospitals?

Kay: It came from the 5 percent of what the hospitals made. In other words 5 percent came from each hospital, but it was all going up there. They were using it from that office, and the like. So we said, "That should be used in the area in which it's generated." So in 1959 it was changed to be called the community service fund. And each region had the money from their community service fund which would come for research, education, and the like, in their own area. Or really a lot of it was used early for charity work, for people who couldn't afford heart surgery and different things, or when they couldn't afford prescription drugs. I think we've gotten away from that. I think we're using it more for research, and education. But at first it was used quite a bit for that.

However, every once in a while the Central Office would want to give something to Stanford, or to USC, or to something else, so that would bother us every time. But then what we decided was that a certain portion of it, and I don't remember what portion, would be what we called the director's fund. In other words, of the 5 percent, a certain amount would go to give the director of the Central Office money to do something for Stanford, or USC, or Cal, or something.

Huth: Did Kaiser have to report how it was spending those funds?

Kay: Well, I don't know.

Huth: To anybody, for example, the federal government?

Kay: No. They just dealt with the lawyers. They still do. I think the lawyers decide what they want to do and then they say, "That's the law."

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\*Kay, Historical Review, p. 98.

Kay: But then they decided that we really didn't have to do that, that it wasn't really necessary.

Huth: You didn't have to collect the 5 percent?

Kay: You didn't have to use the 5 percent, but then we all decided that it was a good idea anyhow. We still do it, but you see we didn't have to.

I'm not sure just how it works now, Ora. Each area has it's own community service fund. And ours, I think, is running about twelve or thirteen million bucks. So it's developed into a big amount.

Huth: Is that in one year? It's about thirteen million?

Kay: Yes, twelve or thirteen million. I think I'm right about that. I'd be a little careful on the figure. But we use it for a lot of different things now. We use it for research, education, the libraries. In my nurse practitioner program--the nurses are paid from that fund. I think it's great. And all these that we talked about--community needs, community programs that we're doing--a lot of it comes from that, so it serves a lot of purposes. I would like to see it used a little more to help people that need the help. Particularly we have so many people that can't afford the drugs that we order for them. I think we should have some money to help these people too.

But that fund has now developed from that eleemosynary fund that was necessary for tax purposes, really, as the fund that we just do and use this way.

Huth: That's to keep the nonprofit status?

Kay: Well, it really isn't necessary now. It originated to be that, but we've continued it because everyone thinks it's a good thing to do. But I've always said, "I think we ought to keep it at that." I don't think we should make our dues go up higher and higher, and make our members pay for our charity, and for our education.

## VIII CRISES IN THE SOUTHERN CALIFORNIA REGION, 1953 TO 1963

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Huth: Dr. Kay, will you please tell me about some of the crises that came up during your experiences with the medical program here in southern California?

Kay: I sure will. I'll never forget them.

In an organization such as ours where a group of physicians own the organization and yet are managed by members of a partnership, periodic episodes of discontent are to be expected, with criticisms, breakdown of communications, and even polarization of interest groups. In the period from 1949 to 1970 there have been quite a few such episodes.

The Fontana "White Paper" in 1953

Kay: The first one was when we were small in Fontana. In the period from 1953 to 1955 we were very small, and Dr. Sanborn and I thought we were communicating swell with our guys. Then all of a sudden we got what they called a "white paper" telling us their areas of discontent. We were shocked. I was never so hurt.

Huth: Did that come from the medical doctors?

Kay: Yes, from the doctors.

They were complaining about different things, and felt they weren't being heard. Oh, you can get all the details from my book. But it was a really traumatic thing because these were guys that we were living with.\* But we had to do there as we did every other time. We said, "Okay, let's really listen--find out what's bothering them," and I think they felt

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\*Kay, Historical Review, p. 63.

Kay: they weren't communicating well. Dr. Sanborn is a wonderful guy, who really knew more than others. But some people have a harder time communicating than others do.

By this time Dr. Sanborn and I had done it together down at Fontana from 1949 to '53, but when I came up to Los Angeles to be head of the whole thing that changed things.

Huth: That was in 1952?

Kay: Yes, but I'd been up here a year or two, so they were saying, "Oh, well, Ray Kay is doing it all from up there." Or, "Now, we're not getting communication. When Ray was here we'd all sit down and talk about it, but now we don't feel that." In other words, here I was in the distance, and they didn't feel that they were having any control there.

So we made adjustments, and did some things. I had made another fellow an assistant, a very fine guy who is now associate dean of medicine at Stanford, a fellow by the name of Larry Crowley, who communicated very well, and he worked with Sanborn.

It helped some, but things still were not good. And it brought up a lot of concerns. The fellows at Fontana were saying, "Well, really, why should we have a central office doing it? Maybe we should decentralize-- have each area run itself."

Well, that led to a lot of discussions and a lot of arguments. The board of directors finally decided that we were not going to decentralize, that there wasn't the experience in each area, and that it was necessary that we work together. That was all brought out, but that was brought out in that crisis. In other words, we had to solidify and strengthen the program at Fontana, and then we had to decide that we were going to not decentralize, but have each area increase its own control as it was able to. And we kept it flexible with that point of view.

I later learned that there were a few fellows there--and they did it again later--that undermined people. They undermined Dr. Sanborn as a matter of fact. Anybody can be undermined, you know, and in each one of these crises there was this undermining. And when you discovered it, you had to meet it. So that happened there. They then undermined Dr. Sanborn so much that some of my board of directors were saying, "You ought to remove Dr. Sanborn and put in Dr. Crowley," who was this wonderful guy, and I would have loved to have had him someday. If he had stayed with us I think he could have been medical director after me. But I thought I wouldn't do it because I felt it would have been really unfair to remove a guy who really was doing a fine job, and put somebody else in.

So I said, "Okay. I'm coming back to Fontana as medical director there as well as in L.A. In other words I will be medical director as far as the chiefs of service are concerned. The chiefs of service will be responsible to me, and by God if you don't support what we're doing, and you don't support Dr. Sanborn, well, you're out."

Huth: Did it work?

Kay: Yes, it worked fine, so Al Sanborn would do the things locally. But every chief of service meeting I would come down. Well, after a year I pulled out. I wasn't needed anymore. They weren't going to undermine Sanborn anymore and everyone was telling me, "Gee, he's communicating so much better. It's wonderful."

Huth: Did he actually change any--do you think?

Kay: I don't think you change after you're five years of age. Do you? [laughter]

But he's a swell guy. He and I have worked together very closely on this nurse practitioner program. But it worked fine, and he worked fine until 1971 or 1972 when Dr. Baker took over.

Then they put in a rule after I retired--that the medical directors and chiefs of service had to be reevaluated every six years. And if the fellows didn't want them they wouldn't keep them. Well, I think that was terrible. And I think it's one of the stupidest things we did. But they've done it, and they're still doing it.

It's not easy to tell the guys what they've got to do if they're your boss. But if you're going to make it so they could kick you out and undermine you it's terrible.

Huth: So how has that worked out--their evaluation every six years?

Kay: I think it's lousy.

Huth: Has it worked okay?

Kay: They're doing it.

Huth: It was six years in 1977? They would have had the evaluation then. Have they had it a couple of times?

Kay: Oh, yes, they've had it. This guy Buck Wallin that started programs in three places--they kicked him out. They just kicked him out. They kicked Sanborn out. I think it's a wrong thing. And they've kicked some chiefs of service out too. I think it makes a popularity contest out of it. And you can't be an administrator based on a popularity contest. Now they could have kicked me out by a majority vote, but that would have been tougher to do. We weren't asking them. They knew it was in the partnership agreement that they could kick me out. But we weren't saying, "Well, now, vote. Do you want to kick me out or not?" That's tempting people.

Huth: Once you get the vote, do you go around talking to people to try to find out whether you are still popular or not?

Kay: Sure. It undermines guys that say, "I can't really be tough with these guys, you know," and you've got to be. If you are going to run the thing you've got to be.

Huth: So they changed how they work after you left.

Kay: Yes, a little bit.

So there's a lot in my book on what happened in Fontana.\* It tells about how we needed improved leadership, and how we did it, and how--the things that I told you--that I went down with Al, and then I gradually pulled out and it worked fine, and we turned some cheeks.

That was the first crisis.

#### The Oyster House Meeting in 1956

Kay: Then the real bad one was in '56.

Huth: What was that about?

Kay: Well, that was one guy fundamentally undermining things. And Paul Steil--

Huth: Was Paul Steil involved in that?

Kay: Well, he was and he wasn't. He said he wasn't, but the other guy involved said he was.

But there was a guy by the name of Marv Shapiro. He's now head of Blue Shield, a very smart guy who was head of our radiology. But again he was a guy who wanted to take over, and he undermined. He did it about three or four times, and each time we said, "Jeez, Marv, don't do that. Go through channels. Let's talk about things. But when you undermine like this you just hurt the whole organization." He said, "Okay," and he was such a swell guy you know--charming.

Well, then he did it another time. And we said, "All right, let's take a fresh look at our organization." We formed a committee, and we put him on the committee. We came out with some good ideas in that committee about changing things in the group.

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\*Kay, Historical Review, p. 64.

Huth: Did the committee have a name?

Kay: No.

Huth: It was just a committee to look at things. Most of the committees we hear about have special names. I thought perhaps you had one for this. You just set up an informal committee.

Kay: We just formed a committee of the partners that reviewed the whole makeup of the group.

But then just after we had made this medical service agreement with the health plan and the hospital in 1956, a series of charges by several members of the group, particularly by Marv Shapiro, were brought against the management of the medical group, and by indirection the board of directors, and this Marv Shapiro was the spearhead of that. He was claiming that Paul Steil told him that the management was very hard to get along with, and that our management wasn't good. We'll come back to that later, but this is the essence of things. So we said, "All right, let's face it."

We had a big meeting of the whole partnership at a restaurant. We weren't a very big group at that time.

Huth: Was that the Oyster House?

Kay: Yes, the Oyster House. It was the board of directors meeting, and all the people involved were there.

So we said, "All right. Make your charges. Tell us what it is." And it was a very hectic meeting. It's all in the book here, in detail.\* But in that meeting everybody had more phenobarbital. Marv Shapiro was tossing in phenobarbital like nobody's business. And Shapiro would say that Paul Steil said these things, and then Paul would deny it, and say that he had nothing to say. They were also saying that Mr. Trefethen couldn't work with us you know through this other thing that happened in the north. Mr. Trefethen told them that the contract that we built in the south indicated that we could work things out, and we did work them out.

But we had quite a few meetings. We tried to make something constructive out of it, but it was a very destructive meeting. And subsequently at a board of directors meeting in October of '57 one of the partners appeared before the board and recounted a conversation with Shapiro in which he again expressed dissatisfaction, and was trying to do it again. At that time the board said they were going to ask him to resign.

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\*Kay, Historical Review, pp. 65-68.



Huth: So did they?

Kay: They did. Yes, and he hates my guts still. [laughter] I don't mind, but it's all in detail here.

Huth: What happens when something like that comes up and you ask a partner to resign? In effect what happens?

Kay: Well, it's very difficult to kick a partner out, but you can do it by a three-quarters vote. It has to be a three-quarters vote of the board of directors, and then three-quarters of the partners in his area.

Huth: And that happened?

Kay: No. We didn't put it up to that. We just told Shapiro that he could resign and that would not make a mark against him, which he did. So it ended, and I think we all came closer together. But there were a lot of very important things in that, and I think it would take the rest of the afternoon to go over it, but it's all in detail in the book.\*

Huth: We don't need any more detail because it's all in the book.

#### The Retention Fund and Physicians' Salaries, 1962 and 1963

Kay: The next crisis was in 1962. That was the financial crisis of 1962. That led to the retention fund.

In other words you remember I told you that we have a profit that's divided--part to the health plan, part to the hospital, and that our part is divided among the partners. Well, usually we had an idea that we would try to make a certain amount. We would start out trying to have each partner get thirty-six hundred dollars profit. But usually when you go at thirty-six, you want to be sure you make it so you hit about forty-two, and then we went up to forty-eight, and then sixty. Finally we hit over seventy thousand. At that time our salaries--to attract doctors--were too low, so we put half of that in our salaries. Then we were back at thirty-six. So we decided we would change and work along on it. As I remember, I told you earlier that the northern group wanted a high profit and we kept ours a little lower. But every time we'd be above what we'd plan I'd say to the guys, "Okay, now, remember--this is a business. Where so far we've been lucky, we're making more than we expected. We could make less."

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\*Kay, Historical Review, pp. 65-68.

Kay: But when we came to that nobody could accept it. In 1962 we staffed for our new hospital in Panorama, and we staffed to start up. We got too many people, and you can't fire them. You just have to wait. So in about nine months it looked bleak. It looked as though we weren't going to make the thirty-six hundred. So in a partnership meeting my manager of the medical group, who was a wonderful guy, Jack Croft--one of the best things I did in the medical group was getting him--Jack told the partnership that it looked as though we wouldn't make our thirty-six hundred that year.

My God, you never heard so much crying and wailing in your life.

Huth: They'd probably already spent it.

Kay: Oh, it was terrible. And I said, "We told you this could happen." They said, "Oh, I know, Ray, but this is our salary. We expect it now. I've spent it." They were saying, "You're a swell guy, Ray, fine, but you're too interested in the patients and in the other things, and you're neglecting us." "Knock it off and cut the crying," I said, "for Christ's sake. Let's quit being babies, and let's tighten up, and let's make it."

Well, we finally made the thirty-six hundred that year, thanks to help from the health plan and everybody. You know they threw everything our way that they possibly could to help us.

But it made me realize that I could tell them it was a business, but they couldn't accept it. In other words when they expect to get a certain amount it's going to hurt them, you know, as revealed by this reaction. So I said, "Let's build up a retention fund and use that if we need to, to bring ourselves up to the thirty-six hundred." It's all in my book. I don't remember the details of it.

Huth: Does the retention fund idea mean that whatever profit you have you put into the pot? Then you use the thirty-six hundred, and if it happens to be left over, then you leave some for the next year? Does retention mean keeping profit from one year to the other?

Kay: Well, this is what we did: If our profit was going to be thirty-six hundred, one hundred percent of it went into the profit, and none into the retention fund. But if it was forty-eight hundred or beyond that minimal level the amount over thirty-six hundred in the profit pot would be divided equally between the partners. Thus, as the earnings level increased we got the earnings necessary to afford another twelve hundred for the doctors beyond the minimum. This would be distributed 75 percent to the profit pot and 25 percent to the retention fund. And the next twelve hundred would be divided fifty-fifty. And that's the way we worked it. So we could make more, but as we made more some went into this retention fund to take care of emergencies or anything else we needed. It had to be by mutual consent of both the health plan and the hospital. I skipped all the detail.

Huth: How has that worked out?

Kay: It worked out. It saved our lives a lot of times.

Huth: Are they still doing that?

Kay: I don't know if they are still doing it or not. I really don't know.

Huth: Who got the idea of dividing it?

Kay: It was my idea. I feel embarrassed to say so, but you know when you are working in it you're thinking how can you meet the problems. I knew these guys. I wasn't going to go through that again. I knew they just couldn't accept a drop in income, so I got the idea that we'd put some money aside. Everybody thought that was great.

But that was a crisis. Everybody was just as upset as hell and blaming us. Yet it was not that bad. I was never afraid of getting kicked out. But I wasn't the most popular guy in the world. But that was our third crisis.

Huth: Do you have any more?

More on the San Diego Expansion Crisis and Jack Gordon's Central  
Laboratory in 1966

Kay: Well, San Diego was kind of a crisis, in that my best guys were against me.

Huth: You mean when you decided to go down there?

Kay: Yes, the decision to go to San Diego. That was a pretty hectic period. And Jack Gordon thinks people still hate him. Incidentally that's a guy I'd love to have you talk to. You'd get a lot of good stories out of some of these guys.

Huth: How long has he been here?

Kay: Oh, he set up our lab. You know, you asked about our central lab and our lab system? The north would never have anything like he'd set up. He was a wonderful guy. I'd hired him from Minnesota.

When you recruit you get a few guys from a place like Minnesota and they'd get a lot of others. Everybody had been telling me how--I was trying to find a pathologist, and they were saying, "Oh boy. If we could only get this guy Jack Gordon because he's going to be moving to Omaha." So finally he came out to see me. We didn't talk salary. He didn't even talk about salary. All he wanted was to be sure that I'd let him run the department the way he thought it should be run.

Kay: He said, "I'm going to want controls all the time. I want controls on the lab work." He added, "It's going to be more expensive at first, but eventually the guys will get so much confidence that they won't repeat the thing." And he was right. One of the big economies of our operation is our lab. Everybody's got respect for it. You know Jack quit twice. He got offers for hundreds of thousands of dollars to set up labs. But he'd go out, and then he would say he couldn't do it.

Huth: He liked it better back here?

Kay: He came back twice. I think he's wonderful.

Huth: Where is he now?

Kay: He's here. He's retired as director of the lab. He just retired, but he still works his tail off.

Huth: He comes in and works anyway?

Kay: Oh, sure. He works harder than anybody. He really advises them, and he helps them. It's his structure. He's done a wonderful job. You know, different people say, "Oh, everybody ought to get the same salary." He said it and he meant it. He's really willing to sacrifice. He's just a great guy. Guys like that that really have made it are rare, but he's the one that was in Sweden looking at this machine that would do all these different lab things, and he left his proxy with me, but he told me to vote for San Diego. He still thinks people hate him for that.

Huth: It was the swing vote.

Kay: The closest I ever came to getting beat. It's the closest. That's the closest one I ever had. Everybody says I just kept making them vote until they voted for it. [laughter] That's partly true. So that's the crises, but again, you can get details in my book.\*

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\*Kay, Historical Review, pp. 11, 73-75.

## IX ASSISTANCE WITH EXPANSION TO DENVER AND REORGANIZATION IN HAWAII IN 1967

Huth: Do you have anything else to say about expansion? We've talked about Detroit. Now will you tell me--when Kaiser went into Cleveland and Denver--what was your role there?

Kay: Oh, yes, what we did.

A fellow named Dorsey, who was in charge of the mine workers in Denver, told us that there was a need for a health plan, and that his people would like to have it in Denver. Also there was a group in Cleveland, and they were having a hard time financially. They wanted us to take them over. So the northern medical group was going there to investigate, and that was Cutting and his group. They were going to investigate Cleveland, and the southern group was going to investigate Denver.

Well, it appealed to me (Jim Vohs and I did this together), because I had always dreamed of having a central organization, having small communities that didn't have any medical care, and having a kind of clinic on wheels that would go out to those areas. So I thought, "Oh, boy, here in Denver and in all these little communities up in the mountains we could have a clinic on wheels." [laughter] We don't even have a hospital there yet, so we sure don't have a clinic on wheels, but it appealed to me.

At first I thought, well, I'd go there and start it when I retired because it was pretty soon that I intended to do that.

Huth: Was it in the late '60s?

Kay: Yes, it was in the late '60s--in 1967.

So we went. Jim and I went, and looked, and talked to everybody. We thought it was a wonderful town, and a wonderful need. We had a lot of interested doctors.

Huth: From the community itself?

Kay: In the community. Yes.

Kay: I even thought I'd learn to ski and everything there, but as I went along, I realized that it was much wiser to start with doctors from the community.

So I interviewed a lot of doctors. We looked at clinic space. And to make a long story short we decided that we were going to do a different pattern there. We weren't going to build a hospital. We were going to use existing hospitals because there were plenty of beds there. That's one of the reasons we had to build our own hospitals. There weren't enough beds in every community, but in Denver there were beds.

We worked with the hospitals and with the doctors in town. We set up and used St. Joseph's Hospital and Children's Hospital. And we got four doctors from the community, including one who was to be the medical director, and his name is Dr. [Wilbur] L. Reimers. We also had a peditrician an Ob-Gyn man, and an internist. We started, and we got facilities, and we built a group around them. We brought people from Los Angeles to help them start different departments.

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Huth: Do you remember anybody in particular who's still around who went there to help out?

Kay: No, Jim Vohs and I did it primarily. But we would get somebody from the chart room from here to go up and help them set a chart room up. We'd use the labs at the hospitals, and the like, and then we set up our own labs. Dr. Gordon went, and he helped them set up our lab. We used different people.

Huth: For the special needs that you had?

Kay: Yes.

Huth: Anything else about Denver?

Kay: Well, in that group, Dr. Reimers was the medical director. He was a surgeon. He just retired.

Huth: He just recently retired?

Kay: Yes. And the assistant medical director was the pediatrician, Dr. Rob Howard. His picture is right here. [shows a picture of Dr. Howard]

At any rate over the intervening years they've built up an outstanding medical group. They've expanded to about three or four clinics, and they now are talking about building a hospital.

Huth: So it was very successful?

Kay: Oh, yes. It was swell. I'm real proud of that. They're a fine group of guys, really good. Jim and I are both very proud of that.

Huth: Was it open to the public? Was it only group membership? Or was it for anyone and not for a particular group?

Kay: Oh, yes. No group. Just anybody that wanted to come in. Federal employees were a big group in it.

The northern group just took over the group that was already in Cleveland. So that progressed also. Those were our first two expansions. Then came Hawaii. Mr. Henry Kaiser, Sr., started that on his own.

Huth: Did you have anything to do with Hawaii?

Kay: I didn't until the guy died there who was medical director. That's a long story, too. Mr. Kaiser set up independently without any advice. It didn't work very well, so they started a group--something like our own. They had a medical director, and the only thing I had to do with that was when he died. The question was what they should do, and how they should do it. They asked me to go over for a week and help on that. I don't have much detail on that in my book.

Huth: Any other input into any other expansion outward into any other cities that you had anything to do with?

Kay: Not that I had anything to do with. I was only involved in San Diego, Denver, and Hawaii.

## X MORE FAMILY BACKGROUND

Huth: I want to make certain that we talk about your wife, her activities, your children, and your grandchildren.

Kay: Well, let's do that now.

Huth: I think it's very important that we have some background about them.

Kay: Well, as I said earlier, my wife was a nurse--a nurse at the Los Angeles County General Hospital. Then she had polio in the big epidemic in '34. She was in braces and things for about four or five years. And when she got out of those she became a public health nurse and we got married. To make a long story short we were on wartime production. We had a baby every year for about three years. Then when I came back from India we had a fourth child because I have a compulsion for even numbers.

Huth: Oh. [laughter]

Kay: She believed in and was very supportive of this. She was responsible for that.

Huth: Your wife, Martha, has written a statement at the very beginning of your book that sets the tone at to what the book is all about. Will you please read it?

Kay: Martha felt that what we were trying to say in this book was: "Where there is no path, there I will go, and leave a trail."\*

Huth: Don't you think that's very fitting for the whole thing?

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\*Kay, Historical Review, unnumbered first page in the book.



Kay: I thought it was swell. I was really pleased with it.

She doesn't get around very much anymore because polio kind of changed things. She won't go to any of the meetings and things. She has had so many muscular and skeletal things, and she was pretty busy raising four kids. They are swell kids. Two of them are doctors.

Huth: Do you want to give me their names?

Kay: Jon is my oldest. He has a medical practice. He went to Stanford and then Columbia. He was in pediatrics in Rochester, New York, and then he was in the U.S. Indian Service for three years. Now he has a family practice, and he has a little group in Potsdam, New York.

Huth: Is it a group practice?

Kay: Well, not really. He was just alone there, but now another man and wife have joined him, but they're kind of on their own. He's just swell. You know, you could start to talk about your kids and go on and on.

Huth: I know how it is.

Kay: Then I want to talk about my oldest daughter, who is my second child. Her husband is the head of the health plan in Denver.

Huth: What is her name?

Kay: Karen Suzanne Green, and Karen has four of the loveliest kids you have ever seen in your life. I thought mine were good. I think hers are better. Four lovely kids. The oldest is sixteen.

Huth: How did she meet her husband? That's interesting that he's connected with Kaiser in Denver.

Kay: Oh, they were in high school together. Then he went in the army, and they were in Germany, and everything. We visited them. When he came back, Jim Vohs asked him to join the group. He started then and he's been with the group about fifteen years. But they were married long before he came to the group. I think he's a top drawer guy.

Huth: Was he sent from here to Denver?

Kay: Well, he worked in the labor relations division here.

Huth: What is his name?

Kay: Bill Green.

He was here and then when they started Denver they asked him to set up the labor relations and employee relations in Denver. He's gone on from that, and now he's the manager of the health plan in Denver. He's kind of a right-hand man there. That's the second one.

Huth: Do you want to name your four grandchildren?

Kay: Their names are Gina, Gregory, Kendra, and Brett. Gina is the oldest. I wish I had pictures of them. I'll show you their pictures another time. A very beautiful lovely girl. She is fifteen or sixteen, I think. And Greg is the next one. He's a swell boy. He thinks he's going into medicine. The next is Kendra, who's my little girl. Kendra is just so sweet. And the youngest one is Brett. He's a wonderful little athlete, just wonderful. Both of the boys were in the finals for the football championships for their classes. I went to see them in Denver for this. Brett is just great. He runs faster than any of them.

Jon Anthony Kay, our oldest son, has two boys. Taylor is the oldest, and Timothy is the youngest.

Then Joel R. Kay, my third child, is a doctor. He's in Portland. He has two children.

Huth: Is he in private practice?

Kay: Well, he's married. He first married and divorced. In his second marriage, he married a nurse practitioner, and they are kind of in practice together. At the time he runs a home call service for one of the big hospitals. He has two kids, Amanda and Aaron.

And our fourth child is Mary Kay Blincae. She is divorced, and she and her little boy, Brendon, live with us.

Huth: How old is Brendon?

Kay: Brendon is thirteen.

Mary is the head of a cooperative pre-school in Montclair. He's in in theatricals, and he's a cute kid. That's Brendon [points to a photograph] And they love the animals. We've got four dogs, three cats and fifteen canaries. Does that give you enough?

Huth: That's just fine, thank you.

XI OVERVIEW OF THE MEDICAL DIRECTORSHIP, CONTINUING POST  
RETIREMENT ACTIVITIES, AND TRAVEL

Huth: Will you please tell me about your retirement years. What have you been doing? What is this office all about [referring to the Department of Medical Manpower where Dr. Kay's office is located]?

Kay: First, would you like to know what I thought was important in my job?

Huth: Oh, yes. Let's do that first.

Kay: All right, we'll do that and then what I'm doing now.

I felt that my most important job as medical director was developing a staff--recruiting doctors. And I saw nearly every doctor we hired. I think that's the most important thing. I think our success in southern California was because of those early doctors that came because they believed in it, not because of the money.

My second thing was to develop a program to attract and satisfy the doctors.

My third was to form an organization to attract and satisfy the doctors, and to be effective. In other words, an organization that could coordinate the partnership and give good medical care.

The fourth was to develop a structure in which the medical group and the Kaiser organizations could function effectively together in a partnership. I think we took the lead in it.

The fifth was to develop an image and relationships with the medical community.

The sixth was to develop patterns that could help solve medical problems in the country. I think that's what we've done with Permanente. That's what I think we ought to be doing with the aging, the adolescent, and the like.

Kay: The seventh was to expand health plan benefits and improve it as we've done. I don't know whether we got to go over that or not to show how we had a pre-existing condition coverage clause, but we now cover all of that. We've tried to improve, and I'd like to improve things more, but you've got to be practical, and you've got to make the new things really pay. We did that in the alcohol and the psychiatry programs by doing pilot projects, and then by making sure they were financially sound. That's what I'd like to do with my current project.

Then the economies of operation are very important, and they are in my book.\*

Huth: These were all of your goals or what you tried to do over all those years that you worked.

Kay: This was just to tell you what I thought was important.

Huth: You reviewed the most important parts of it all, and we've talked in detail about quite a few of these. This puts it together in one place, so that's good.

#### Continuing Medical Activity After Retirement in 1970

Kay: Now you want to know what I've done after I was medical director?

Huth: Yes, tell me about your retirement years. I don't think you went home just to sit in a chair.

Kay: No, no, I've been busy as hell. [laughter]

Huth: Here we are in your office.

Kay: First of all, Jim Vohs and I felt that we weren't taking care of the underprivileged people enough, so we wanted to develop a broad program, but we didn't have enough beds to do it, and we didn't have the space. But when we had more beds when I retired at Fontana, we set up a comprehensive health plan for three thousand poverty people in the Fontana area.

Huth: Was that in 1970?

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\* Kay, Historical Review, p. 134.

Kay: About '70 to '71.

Huth: Was that under the federal Office of Economic Opportunity?

Kay: Yes, and that's all in my book in detail too.\* And I've been working with that ever since. I helped form it. Now the government has taken the money away from us.

Huth: This year?

Kay: Yes.

Huth: Is this the first year that you don't have money?

Kay: Yes, but we're helping them develop a neighborhood program there. They are paying them that way, for the neighborhood program. For instance, I'm helping them find a doctor for it, and we're very much in it just the same. They would come to me for help. They are my old friends and part of my family, so that's one thing.

Huth: So even though the money isn't there any more to do this you are going to try to keep the program going?

Kay: The government is giving it to the community. So we're helping the community organize it, see?

But I did that. For the first couple of years we charged part of my salary to it. But from then on I sat on their board of directors, and I worked with them, and we didn't count it in. As a matter of fact at first the government paid us for all of that community program. Then they quit paying us for the hospital part. So we paid for that out of our community service funds. So I can enlarge on that. But that's one thing I did.

#### The Department of Medical Manpower and the Nurse Practitioner Program

Kay: Then we were very short of doctors. I told you we had to close the program frequently because we didn't have enough doctors, and all of that. "Well," I thought, "How can we redistribute our jobs and make it so we can take care of more people?"

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\*Kay, Historical Review, p. 127.

Kay: So I thought of the practitioners in Russia, and the barefoot doctors in China. And I really felt that the most important people that we could bring up to help us were the nurses, and we needed to get our top nurses, so we set up our nurse practitioner program. I started it because we were short of doctors.

Huth: Do you know when you started that? What year?

Kay: Yes, it's in my book.\* It was in about '71 and '72.

Huth: Was that soon after you retired then?

Kay: Yes, well, I had to do something that didn't interfere with anybody else, but I started it because we needed doctors. We needed help. But I do it now because I think they add an important thing that we need, and that is warm personal care.

Huth: What did you do for the nurse practitioner program? Did you train them? Is it a training program?

Kay: Yes, it's all in my book. We trained them, and then we had to learn how to use them. We have trained and used around three hundred of them. They do a complete physical, and they take care of many acute conditions, and they take care of the diabetics, the hypertension, and the like, in teams with the doctors. It's all in my book and I'd love to talk more about that because that's my baby now. I had to sell everybody on that. But I think they do a wonderful job, and I work with them seeing patients at Fontana. So the third thing that I did was to retread as a doctor. I never stopped seeing patients.

Huth: So you had to go back to it again.

Kay: I had to go back and learn a lot. I'm still doing that. So I do that two days a week. I see patients two days a week with the nurse practitioners, and then I do administrative stuff.

Huth: Is it at Fontana that you do that?

Kay: Well, I run it all from here. This office is the Department of Medical Manpower.\*\* In other words--it should be women power. I asked the chiefs of medicine, "All right. You tell me when you want to develop a program," and then we set up a program for educating nurses. It's a one-year program

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\*Kay, Historical Review, pp. 111-112.

\*\*Kay, Historical Review, p. 107.

Kay: and we pay their salaries while they are taking that year of training. They spend two days a week at lectures, and three days working with patients, with the doctors teaching them as they work with the patients. At the end of that year they're damn good. They pick their own nurse practitioners at each place.

I coordinate the training, and I coordinate the use made of them. I coordinate it so we all do things the same way and together. We have programs in adult medicine, in pediatrics, and in Ob and Gyn.\*

Huth: That's just what we wanted to hear.

### World Travel

Huth: You are so busy with this work I wonder if you have had time to travel or to take any trips. Did you go anywhere since you retired?

Kay: Oh, I take a month a year.

Huth: Will you please tell me where you have been?

Kay: Well, the first trip I made was to Morocco, Spain, and Portugal.

Huth: Did your wife go with you?

Kay: No. She doesn't travel with me. I go with groups, and the like. The next trip was to China. I was in China for about a month. That was great. It was early in the game. There were not a lot of people going then. And then I've been to Africa, Kenya, and Tanzania. Then I went to Yugoslavia. From there I went up to Budapest, a city that I loved. I thought Budapest was one of the most beautiful cities I had ever seen. From Budapest I went on to Athens and the Greek Isles. Then I went to New Zealand and the South Pacific Islands. I loved that. I snorkeled, and I enjoyed that tremendously. Then I went to the Scandinavian countries. If you're going to go there sometime, let me tell you some interesting things to see--but maybe you already know about it.

Huth: I have never been to Scandinavia, except to a little bit of Denmark. That's all.

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\*Kay, Historical Review, pp. 111-112.

Kay: I saw some really interesting things there. It's a long story. We'll have to have lunch sometime.

Then I went to England and the British Isles. I loved that. I went with sixteen people in a big bus. We went just to little inns. We didn't play around in the big cities. It was just the little towns, and Ireland too, and on the last trip I went to Russia, Czechoslovakia, and Poland. That was rough.

Huth: When was that?

Kay: I just got back last spring. That was just about a year ago.

Huth: You are a world traveler.

Kay: Well, I have been lately.

My wife and I went to Europe once, and we met my son from Stanford who was going to Stanford in Florence. We went through all Italy, and we went up into Norway where we visited with a girl who had lived with us as an exchange student, and whose father was a doctor there. Then another time my wife and I went to Munich when my daughter and her husband, Bill Green, were in the army there. That's when I left Munich and went around and interviewed doctors in all the army hospitals up there, and I picked up quite a few of them. That was when we were having such a tough time getting doctors.

Huth: You told me a little bit about that.

Kay: I know. I've told you so much.

Huth: That's good to put this together with the trip. Do you want to stop?

Kay: I can talk while I'm doing this. I've got a contact lens in this eye. [Dr. Kay works with a contact lens]

Huth: You go right ahead.

#### Resources for this History

Huth: One thing that I'll mention is that you have a portfolio of pictures that were put together when you retired, and Dr. Sanborn was responsible for that. You have agreed to loan that to me so we can go through it and perhaps use some of them. Then you are loaning me a book that includes bulletins from Fontana that go way back to the early days.

Kay: It's not just from Fontana.



Huth: The early ones go back as far as the early days in Fontana.

Kay: This one has the early days in Fontana, but this is the one I will loan to you--the book that includes Sidney Garfield's description of the first ten years of operation.

Huth: That's right. It includes an article by Garfield that goes into what happened in the first ten years.

#### More on Medical Society Relationships

Huth: Will you please tell me more about organized medicine's opposition to Kaiser doctors. What can you tell me about that?

Kay: Again we talked some about it and it's also covered completely in my book.\* But fundamentally they were against us mainly because we were captive doctors taking care of captive patients, and in their view we were practicing socialized medicine.

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It was from 1953 through 1955 when Dr. Foster was in charge of the local medical society that they were really down on us.

But in 1956 we met with Dr. Turner, who was the new head of the Los Angeles County Medical Society and his lawyer, and we said we would hold back our doctors from suing them, and they said they would try to get their board to accept us and recognize us. They did that in about 1958. Then the next two presidents were fellows by the names of Quinn and Rosenow. They were very supportive. These were all close friends of mine. They said, "It's ridiculous, but the guys are just scared."

Huth: So we'll add that to the other story you told me earlier now that we have the names.

Kay: And now they love us. [laughter]

Huth: They are probably glad to have you in and paying dues. [laughter]

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\*Kay, Historical Review, p. 132.

Kay: Some of our guys have felt that the group ought to pay the dues, but we never did it. Now I don't know, they may be doing it now, but I felt that, Jeez, when you take a thousand guys and pay two hundred dollars, you're paying a big slice from the group to the medical society.

Huth: It's two hundred dollars a year, is it?

Kay: I think that's it. I don't know. I don't have to pay it any more now because I'm retired.

Huth: Oh, when you're retired are you automatically members for life?

Kay: I reckon so.

#### Important Recording of the Kaiser Health Care Story

Huth: May we have a closing remark from you about this whole thing that started way back early in your life, your first thinking about it when you were with Dr. Garfield at the Los Angeles County General Hospital? Now here we are sitting in this room talking about all those times, and looking back on how it's all been.

Kay: I feel very fortunate to have been here and to have had an opportunity to be a part of this movement in medical care. It's been wonderful. It's been a lot of fun. I think we've done a lot of good, but I think we've got a lot more to do. I think the recording of the history is an excellent idea. I think you can see I think it's important because I've worked hard to write a little book on it. But I think it's a wonderful idea and I think, as someone once said, "If you don't know history you repeat it." I think this is wonderful and I've enjoyed working with you. I hope we'll do some more.

So I'll be coming up to Oakland sometime this next month--in April, and I'd love to do any more that you think you want. I'll spend an extra day up there if necessary to do this.

Huth: Well, thank you very much. That's very generous of you.

Kay: I think this is wonderful, and it's been a lot of fun working with you, Ora.

Huth: One thing we might talk about next time is the HMOs that you are very interested in, and what's happening now with that. I'm sure you know that Dr. Smillie has done quite a bit of work with that in Washington, D.C.--especially on the legislation.

Kay: Yes, that's right. He's spent quite a bit of time on that.

Huth: He told me about that activity.

Kay: Yes, he has this book coming out.

Huth: He's been so busy he hasn't had much time to work on it. He has two more chapters to write.

Kay: Well, what's he been busy doing--consulting?

Huth: Yes, he's been doing some consulting, and he's also active in his community. He's been working with the historical society in Carpenteria. He says he's going to get back to it. I saw signs that he was working today. His computer was on, and I could see he had been busy.

Kay: That's good.

Huth: This ends our interview for today. Thank you very much.

## XII THE KABAT KAISER NEUROMUSCULAR INSTITUTE, MID TO LATE 1940s

[Date of Interview: April 19, 1985]##

Huth: This morning we're planning to cover some of the things that we didn't cover in the other three interviews. One of the questions that I'd like to ask is about the Kabat Kaiser Institute. How did it get started, and what do you remember about it? What happened from then to when Dr. Keene came in and until the Kabat Kaiser Institute closed?

Kay: Well, Mr. Henry Kaiser, Sr., as you know, had a son by the name of Henry Kaiser, Jr., who had multiple sclerosis. Because of this, Mr. Kaiser was very interested in the treatment of this disease, and he and Dr. Garfield heard about Dr. Herman Kabat, who also had an interest and some theories as to the care of multiple sclerosis. They therefore started an institute to treat and study multiple sclerosis in Washington D.C. under Dr. Kabat.

Huth: Who was backing that? Was that backed at that time by Kaiser?

Kay: I think so. As far as I know it was backed by Mr. Kaiser. But Dr. Garfield was the intermediary with Dr. Kabat and he helped organize it. Dr. Garfield really acted as Mr. Kaiser's representative on anything that was medical, or anything happening with the Kaiser family.

Recollections of Dr. Rene Cailliet

Kay: They needed more staff in Washington, D.C., and Dr. Garfield asked me if I had any doctors that would be interested. There was an ex-student of mine, who was a resident on my ward at the Los Angeles County General Hospital in about 1946 and '47 by the name of Rene Cailliet. Rene went back there and worked with Dr. Kabat. This was the start of a rather brilliant career in that Dr. Cailliet subsequently worked with multiple sclerosis and other abnormalities of neuromuscular-skeletal systems at the Kaiser Kabat Institute that was established by the Kaisers and Dr. Garfield at Santa Monica. Then that closed.

- Huth: When that closed did they open up the facility in Vallejo? What about the one up at Vallejo?
- Kay: Oh, I forgot about that one. They did do some stuff in Vallejo. I don't know much about that.
- Huth: It was also called Kabat-Kaiser.
- Kay: Yes. I think they did some stuff there.
- Huth: Perhaps I can ask some other people about that.
- Kay: Yes. Ask some people that know more about that.

Well, I think I was getting off talking about Cailliet rather than the institute.

- Huth: That's all right. Let's talk about Cailliet first, and then we can talk about the institute.
- Kay: This was, as I said, the start of a brilliant career. When Kabat-Kaiser closed, he then came to establish the department of physiatry (Physical Medicine) for our southern California Permanente Medical Group.
- Huth: Was that at Los Angeles?
- Kay: Yes, he came on up to L.A. when that Santa Monica facility closed.
- Huth: Do you know what year?
- Kay: No, I don't know that. I don't even think I have that in my book.

They call the doctor a physiatrist, but they call the people that give the physical medicine physical therapists. So Dr. Cailliet was our leading physiatrist, and he really established a department in each of our centers. He finally left us after 1970--I don't know exactly when--to become professor of physiatry at USC, and he's become one of the most prominent physiatrists in the country.

To go back to Kabat-Kaiser Institute, it was established by the Kaisers under Dr. Garfield when they closed the institution in Washington D.C. I can't remember the guy.

- Huth: Was there somebody there before Rene Cailliet?
- Kay: Yes, there was someone before, a Dr. Huddleston. He was this other man that did it for quite a few years. He had quite a reputation as a physiatrist. But eventually Dr. Cailliet became the key person in the area. It was finally closed, but I don't remember when. That's when Dr. Cailliet came to Permanente and established the physiatry departments in our organization.

Huth: Do you remember in the closing of that institute if Dr. Keene had a role in the decision to close it?

Kay: Now, the on-paper decision to close it may have been from the Central Office, from Dr. Keene. But I'm sure that the real decision to close it came from the Kaisers, and Dr. Garfield.

Huth: Was it only the Santa Monica facility that closed? Did the Vallejo facility close at the same time?

Kay: No, I think the Vallejo facility is still functioning. I'm not sure. I never had much to do with it. Now that you mention it, I remember that they did quite a bit of rehabilitation up there.

Huth: Especially after the war they had some paraplegics, and that kind of thing.

Kay: It may have been, but I really don't know what part they played with the other one.

Quite a few of our people started with us when they had some relationship with Kabat-Kaiser. They would start because some of their relatives were down there, and they became interested in it and were working with it, and eventually they started working with our organization. I remember one of my secretaries that I thought very highly of was in a wheelchair after having polio and being treated at Kabat-Kaiser. And another one of the very important people in the health plan had a son who had multiple sclerosis and--I'm not sure what he had, but at any rate--he was a patient at Kabat-Kaiser, and she started just volunteering. Then she finally worked for them, and now she's a very important part of our health plan. But these are just two examples.

Huth: Did your wife ever have any treatment there?

Kay: No, she had polio way before that. She had polio in 1934 when she was a nurse at the county hospital. She was treated at different places, Los Angeles Orthopedic Hospital, and the like, until about 1940. She went back to school at UCLA, and got her credentials as a public health nurse. When she was offered a job, we got married. In other words, she kind of felt she wanted to be on her own and not dependent, you know. But she was never involved with Kabat-Kaiser.

XIII RECOLLECTIONS OF KAISER PEOPLE, SPECIAL PROJECTS, AND THE MEDICAL  
DIRECTORSHIP

Huth: Maybe now would be a good time to talk about some of the people connected with your work with Kaiser Permanente over the years. There might be some other questions that come up as we talk about people. Dr. Wendell Lipscomb was a black doctor who was fired by Kaiser. It probably happened in northern California, but I thought I'd ask you if you knew about that, in case it was southern California.

Kay: No.

Some Outstanding Southern California Physicians

Kay: We've got a lot of black doctors. As a matter of fact one has just been appointed as chief of medicine in the L.A. institution, a guy by the name of Ed Butts, a very fine guy. In the Los Angeles area that is the biggest department we have.

Huth: And that just happened?

Kay: Yes. Dr. Irv Ackerman, who has been an outstanding chief of medicine, decided that he should allow other people to have a chance to do it, and he's not retired from the group, but just retired as chief of service. Dr. Ed Butts has finally been chosen.

Dr. Ackerman is one of the finest people we've ever had. I worked about five years getting him to join the group. He was at Massachusetts General Hospital, and every year when I'd go back to interview doctors in Boston I'd have supper, or lunch, or something, with Irv and his wife. Each time we'd talk about helping him get a health plan started in Boston. Finally he felt that it wasn't possible, so he decided to come out and join us.

Huth: Do you remember what year he came?

Kay: No, I don't, but we can find out for you. But he's really one of the finest chiefs of services I have ever seen.

Huth: Do you know how long he's been chief of service?

Kay: Well, I think at least twelve years. And Ed Butts, who is now taking his place, came to us with a lot of experience in renal diseases. He has set up our renal dialysis program in the Los Angeles area.

Huth: What was Dr. Ackerman's specialty?

Kay: Well, he's an internist, but particularly an endocrinologist. He's helped me in my teaching of nurse practitioners--in every educational program. He's been a key person that I have to help and advise me.

Huth: Would you say that he'd be a good person to talk to? We want to talk to some people who haven't gone into administration, but who have stayed for a while and been leaders in their areas.

Kay: He would be a great one. Yes, he would be a swell one.

Huth: I'll note that. I don't know how much influence we have as to whom we interview, but as we come up with names--one of the things we did ask for was that some women be on the list because there were no women at all on the first list.

Kay: I haven't talked about the first woman on our board of directors in southern California...

Huth: Some of the earlier ones were pediatricians.

Kay: She is a pediatrician. Her name is Billie Moore.

Huth: Is she still there?

Kay: Yes, she's still there. We gave her a special cup to drink out of at the board meetings.

Huth: Is she still on the board?

Kay: Oh, no.

Huth: What can you tell me about her?

Kay: Well, she was a pediatrician, and she was elected to the board of directors as the first woman on the board--from the Harbor group.

Huth: Was the Harbor group in San Pedro?

Kay: Yes, and she continues to run one of the outlying clinics at Lakewood. She is instrumental in the continuing education program for the doctors, frequently being the chairman for our yearly pediatrics symposium.



The Medical Specialty Symposiums

Kay: Do you know about our symposiums?

Huth: You were going to tell me about that, so maybe this would be a good time to hear about the symposiums. You did briefly tell me that you had that as part of your continuing education program. We did talk about it in the last interview, but I don't know whether you have more you wanted to say about it now that you are thinking about it again. You mentioned the various specialties.

Kay: Yes, that's right. We started this when I had the residency programs at the county hospital. We had William Dock out just for a week for the residents.

Huth: Who is William Dock?

Kay: Bill Dock. William Dock. Bill Dock had been a professor of medicine at USC during the war, and everyone was crazy about him. He finally left to go back to New York, but everyone wanted him. They thought so highly of him that we arranged to have him come out and spend a week with our residents. It was such a wonderful experience that we started having a professor or someone from some other area come and spend time with the doctors every year.

When I went over to Permanente I thought that this would be a good additional educational thing. We set up what we called a symposium, a two day symposium, for each of the big services every year. Medicine, surgery, pediatrics, Ob-- each would have their two-day symposium at which men from our own group would give papers and we would have visiting professors. They're really a wonderful group of people that we have come to speak to us.

Huth: Bill Dock was never with Kaiser then?

Kay: No.

Huth: And this first symposium was at USC rather than for Kaiser?

Kay: Yes. The first one was. See, from 1946 to 1949, I was in charge of the residency training program for doctors returning from the army, so that's when I set up the programs there. But then I thought it was such a good idea that when I went to Kaiser I started doing it there.

I think I told you that we felt in southern California that to get good doctors and to keep them good we had to have a continuing education program. In addition to the symposiums we started by having two half days a week for education. We felt two days were necessary because a lot of us had assignments at the university for ward rounds--teaching the residents and students. For this you needed at least two days.

- Kay: However, several of the people felt that one of those two days should be just for time when people could do whatever they wanted to do. I didn't agree with that, but I got defeated on it.
- Huth: So if they wanted to go take a trip for one day they could do that?
- Kay: Yes, well, it was not two days, it was two half days. So then they finally changed it to where you had a half day education and a half day off, which we encouraged them to use for education. If they used it for education they could even have a third half day for a limited time. We felt education was tremendously important. Then we added the symposiums on top of that.
- Huth: So the symposiums didn't take away from this other allotment of time.
- Kay: No, and they have wonderful programs. Particularly Dr. Ackerman and his department have a wonderful program every Tuesday afternoon. It's just great. I go to it whenever I can.
- Huth: Do the doctors regularly attend these? Are they well attended?
- Kay: Oh, yes. They have to. That's their assignment. If they don't do that, they work. Now I'm sure some of them misuse it, but most of them really want to go. As Dr. Herman Weiner once said, "If you go to these meetings over a two year period you pretty well get a postgraduate course in medicine."
- Huth: That's a pretty good recommendation.
- Kay: Yes, they are excellent.

#### Choosing Physicians for their Special Qualities

- Huth: One of the things that we didn't talk about, and I think you were at Kaiser during the time, was the McCarthy era, and whether that affected the doctors in southern California. It had a great effect apparently on doctors in other areas, especially up in northern California.
- Kay: Who was it--someone's son worked for us? Who wrote the book--
- Huth: Are you thinking of Paul de Kruif?
- Kay: Yes, de Kruif. His son worked in northern California.
- Huth: I heard that he worked at Hayward, and that he died some time ago.
- Kay: Is that right?

Huth: He was married at one time to a pediatrician at the Kaiser Medical Center in San Francisco, Dr. Alice Friedman. Shall we move on?

Kay: Yes.

Huth: Now will you please tell me whether or not you recall any problems for southern California doctors in the McCarthy era? One of the problems in northern California was that they were in the Bay Area, close to the University of California--and quite a few of them joined the Civil Rights Congress in the Bay Area. And that was one of the groups that got on the McCarthy lists. So then they had problems being hired by Kaiser. I thought perhaps you might have heard something about that.

Kay: No, I don't think so.

Huth: If they were already in and then they had joined the congress, they were not offered partnerships when the partnership year came up, so most of them left.

Kay: We didn't have that. I don't think I would have kept anyone out for doing what they thought was right, like being in civil rights movements, because I think I was in favor of it myself.

I felt we were picking our doctors on the basis of their ability and their character, not on their beliefs, or on their color, or anything else. I didn't want anyone telling me who we should get. I didn't want anyone interfering with our choice of doctors and our basis for choice. I think I told you what one union tried to do.

Huth: Yes, you told me the story about the union.

Kay: I felt very strongly that the quality of care was the responsibility of the doctors. And the main thing in the quality of care was the people we hired. I thought we could have no interference in that whatsoever.

Huth: And you were able to keep that all the way through?

Kay: Yes.

Huth: Have your successors managed to do that too?

Kay: Yes, I don't know of anything done differently. I tried not to get a disproportion of any racial group of people. I think I told you that I'm Jewish, and that this appealed to a lot of Jewish fellows. We naturally were having a lot of Jewish guys apply, and they usually were very good doctors. But I wanted to be careful not to hurt our movement by having a disproportionate number of any group or race. We would pick doctors from all races and all colors on the basis of their qualities. And I still think this is very important. I still think it's very important not to get too many from any one race to keep a good balance.

Resolving Early Communication Problems in Fontana

Huth: You told me quite a bit about your relationship with various other leaders in the Kaiser program, but there are some special people I want to ask you about. One of them is a Dr. Crowley?

Kay: Oh, Larry Crowley.

Huth: You mentioned him in one of your previous interviews.

Kay: Yes, Larry Crowley. I think he's Vice-President for Medical Affairs at Stanford University now.

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He came out to Fontana as one of our surgeons. He was an excellent surgeon, and a really excellent person. But he somehow became involved in our first crisis of the group down in Fontana when we first started in Los Angeles and I was working part-time in Los Angeles and part-time in Fontana. Dr. Alvin Sanborn was medical director at Fontana.

Some of the men felt that I was running it from L.A., and others felt that they weren't getting leadership from Dr. Sanborn because he sometimes didn't communicate very well, so they wrote us what we called a "white paper" making these complaints. So I said, "Fine."

Huth: Do you remember what year this happened? I think we talked about this before.

Kay: Did we?

Huth: Yes. I think we did.

Kay: That was the second one.

Huth: I thought you told me about the first one when we went through the crises.

Kay: No. The big crisis we discussed was about Dr. Marv Shapiro, but this was before that. This was when we were just a small group at Fontana. It really shook us because we thought we had good communication there.

Anyhow I said, "Fine." We would make Dr. Crowley--he was very vocal and communicated very well--Dr. Sanborn's assistant. But he finally felt that he was being ineffective, that he couldn't get things done. So he was not happy with the position as assistant.

It was just good honest differences of opinion. Well, we gradually tried to do everything we could to improve communications, but finally I felt that Sanborn was not getting the support from the chiefs of services that he should. In other words the doctors were saying, "We're not getting good leadership." But that was because Sanborn was being undermined, and the chiefs of services were not participating in giving good leadership.

Kay: So I decided that I would go back down there as medical director only to the point of supervising the chiefs of services. In other words whenever they had a chiefs of services meeting I would meet with them and have Sanborn do the day to day administration. I told the chiefs that unless they gave the proper leadership and supported Sanborn we'd move them, you know.

Well, Crowley really helped on this, and I always felt that Larry was a dedicated guy, who was doing what he believed in. As I said before, I think that really if he had stayed with us he could have eventually been a medical director.

Huth: Did he leave Kaiser then after you went to Fontana to help out?

Kay: No, no, I'm not sure when Larry left, but he went out into private practice and worked half time at the university. He was interested in oncology-- that's cancer and the like, so he went out in private practice and taught at the university in oncology.

Huth: Do you know which university that was?

Kay: Yes. The University of Southern California (USC).

Later we had lunch together and he said, "Ray, I hope all this fighting hasn't affected our relationship, because," he said, "since I left I found out that some of the things I was complaining about I understood better, and I was for them." And he wanted to come back with us, but only half time because he didn't want to give up his teaching at USC.

He wanted to come back as an oncologist in Los Angeles. But the surgeons at Los Angeles didn't want a part time surgeon, and therefore we never got Larry to come back there. He eventually went up as chief of surgery at the V.A. [Veteran's Administration facility] near Stanford. Eventually he was assistant dean at Stanford, and he became a vice-president. Every time I'm up around that area I have lunch, or supper, or something, with Larry and his wife. He's a top rate guy. I wish we could have kept him, but I just couldn't take the side of the person that was complaining and kick out a person that I thought was really doing a good job.

Huth: What about Dr. Sanborn? What happened to him?

Kay: Oh, he's still with us.

Huth: Did he stay at Fontana?

Kay: Oh, yes. You see in the old days we kind of did it together. Then when I went to L.A. he was there in Fontana alone. When I came down and did that with him I acted as co-chief with the chiefs of services. Within two years they were doing fine, and I didn't have to do it any more. In other words, everyone started telling me, "Jesus, Dr. Sanborn is communicating a lot better and he's just fine."

Kay: So it was fine until I retired. Then they set in this rule that they had to be reappointed every six years--the medical directors and the chiefs of services. And T. Hart Baker reviewed Sanborn for his reappointment as medical director. He decided not to reappoint him. He therefore was just a doctor.

Huth: Had he had some experience with Sanborn before that? Had he known him someplace? Had he worked with him?

Kay: Well, through all of these episodes the board of directors was finally involved and Baker was on the board, so yes, he knew what had happened.

I really think you can undermine anybody, and I think there were certain guys there that I recognize now really didn't support Sanborn, and really undermined him. I don't have much respect for that kind of thing. I didn't let it make me drop him when I was there.

We work closely together now. Dr. Sanborn set up a health appraisal unit at Fontana, which I think is an excellent unit. I work for him in that unit. In other words I have my nurse practitioners there, and I work with the nurse practitioners and with Dr. Sanborn.

It was hard for him to communicate sometimes, but he knew more about the real workings of the operation than most medical directors do.

Huth: So someone who could communicate well, and maybe didn't know as much could possibly manage better in that spot?

Kay: Well, I think on the surface, yes. I think communication is an art that you have to have.

Huth: But didn't he develop that later?

Kay: Yes, I think it's hard for some people to communicate, and I think some people are never going to really be very good communicators. I think a lot of marriages have their problems because one or the other doesn't communicate, and if both of them don't communicate, it's hell.

Huth: Sure. [laughter]

Kay: Don't you think so? [laughter]

Huth: Oh, yes. I agree with that.

Recalling Work with Paul Steil

Huth: One other person who had a leadership role with the health plan in southern California was Paul Steil. Will you please tell me what your relationship was with him? What can you tell me about Paul Steil?

Kay: Oh, a lot. I think Paul Steil did a great deal to help us get our program on the road in southern California. I think Paul has certain strengths and certain weaknesses. And I think he was in a very difficult position because he was hired by Dr. Garfield, but really responsible to me. It was a little ambiguous as to where the hell--

Huth: It was a little bit different than up in northern California wasn't it?

Kay: They didn't have a medical director.

Huth: So had he been up in the north, would he have been responsible to Garfield?

Kay: I don't know. Do you know when Cece Cutting became medical director?

Huth: 1957.

Kay: There was a difficult situation in that at that time the medical director, and that was me, was responsible for the medical group, the health plan, and the hospital, and Paul Steil was my regional manager. But he was hired by Sid. He was responsible for any building, any leasing, and the like, and Sid was vitally involved in it. So he had two bosses, and it was a difficult situation. He had been used to working in big corporations, and we hadn't.

Huth: Where did he come from, so he was used to big corporations?

Kay: Well, I'd like to come back to that.

I want to bring out that he had a difficult situation. On the other hand, Paul was a fellow who had been in a lot of corporations, and he had the unfortunate thing of working in an unusual way.

Huth: You used the word "intrigue" before.

Kay: Yes, that's right, this thing of becoming involved in intrigue. That's the word, thanks. He had been at Lockheed. And he'd had problems there. He was at Rexall. He then came with us, and when he became involved in intrigue in our southern California operation, the Kaisers sent him to Willow Run. Again, he became involved in intrigue there.

Huth: Will you say any more about the intrigue? What it involved?

Kay: Well, Paul was a very proud guy, and I think really a handsome guy. You'd go into a restaurant with him and boy, he knew everybody. I really learned how to be a big shot from Paul. You know, big expense accounts, and he was just a man about town, and a very capable guy. But he was so insecure that if we would question him on things he would feel that we didn't have confidence in him. It would hurt him. We'd say, "Paul, look, we love you. We like you and we want you as a part of us, but we've got to ask you questions because we don't know what's happening, and we have concern as to what direction we're going in."

As a result we always thought we were real good friends, but then when this crisis in L.A. happened then--

Huth: Now which of the crises was that?

Kay: That's the one in Los Angeles with Marv Shapiro. He was supposed to have told Shapiro and some other people that the administrative people were difficult to work with.

When we had our big meeting he would not voice any of these things. But I think he realized and the Kaisers realized that he couldn't continue to work with us in the long run. So that's when they found something at Willow Run for him. That's when his brother, Karl Steil, came in.

Huth: And did he come to southern California?

Kay: Well, Paul had brought Karl in as head of the health plan when the health plan became a separate organization. When Paul left, Karl became manager for the area and he took Paul's place. I'm very fond of Paul. I don't see him very often.

Huth: After Willow Run did he then leave Kaiser?

Kay: Yes. He did a lot of different things.

Huth: Do you know where he went?

Kay: Well, around L.A.

Huth: So he's still down in that area.

Kay: He's still down in that area. He hated Marv Shapiro, but we were pretty good friends after that. He felt Shapiro let him down. I'm not sure, but I thought we were good friends from then on.

He would get in different endeavors, and I was never just sure of what they were. I really don't remember, but there would be some projects that someone was doing to make money, like constructing some building. There was one fellow that had a lot of businesses, and Paul would help him with those. I was never sure. I think he was tied in with the



Kay: Schaefer ambulance people for a while, and different things like that. But I felt he was a brilliant guy with a fine personality, just a charming guy. It was just too bad that he couldn't really use it all, and it didn't work.

But I'd always felt that he contributed tremendously in a very difficult time. We were just changing from personal management to developing an organization pattern as we got bigger. And Paul got caught in the middle of that.

Huth: When he had to report to someone else then, under the new organization as the responsibility lines were set up, is that when this happened? And was that when he couldn't fit in?

Kay: Well, it was before that really. No, it was when we were setting up--I think I told you about this time when Garfield got caught in between the doctors and the others at Kaiser. He was there while we were doing that, and he was caught in this thing.

Let's recognize honestly that we weren't experienced administrators--us doctors. We thought we were. I'd been a colonel in the army and had a big service, and I thought I was pretty hot. Then I set up the residency program, and I organized all that for the university, and I thought it was, you know, pretty good. Then when I went in and gradually developed Permanente, I reckon I was defensive of the doctors' position. And I reckon I wasn't as experienced as I thought I was.

So being fair to Paul we may not have been too easy to work with, but we weren't experienced big businessmen, and we really did it on a personal basis--what was fair, what was good. A lot of our judgment was pretty good, but just by luck, you know. He was used to the corporate structure. We were used to individual management. I reckon it wasn't so easy for Paul.

#### Setting Up Management Teams with Karl Steil, and Work with Jim Vohs

Huth: Would you care to say anything about Karl Steil. He came in immediately afterwards. He was there quite a number of years, wasn't he?

Kay: Yes, he just retired.

Huth: In fact I have a card that tells just how long he was there. 1960 was when he came in as a Los Angeles region manager. Then in 1961 he was the southern region regional manager. In 1962 he was regional manager in both northern and southern California.

Kay: Here in 1960, probably, he was southern California health plan manager. I'm not sure of the dates, but Paul brought him in as health plan manager. Then when Paul left--I bet it was before this.

Huth: Paul left you think before 1960?

Kay: Yes, I think so.

Huth: I got this out of the annual reports, so he probably wouldn't be mentioned there as health plan manager.

Kay: At any rate when Paul went to Willow Run Karl became manager of southern California. We had to set up this new organization where he had the health plan and the hospitals, and I was in charge of the medical group. We set up what we called management teams. We would get all our key people, and then we'd discuss our problems together.

I never will forget one event that really brought us to the realization that that wasn't the way to do it. These regional management teams were set up subsequent to the Tahoe Conference as a way of managing each area. So Karl and I were trying to do this, and we had one issue that was kind of interesting that I mentioned earlier: How to answer the phones when you've got a medical group and a hospital. Would you answer the phone, "This is Kaiser Permanente" or, "Permanente Kaiser?"

Well, there was a lot of discussion about this. And one of my medical directors had gone so far as to set up a code to see how many calls came in for Permanente, and how many calls for Kaiser hospitals and health plan. He said there were so many more for "Permanente"--for the doctors--that we should answer the phones "Permanente Kaiser." But Karl Steil said it should be "Kaiser Permanente."

So we were having this big meeting, and our egos were out there on the table. We couldn't--not anybody--give way. I couldn't let my guys down. He couldn't let his people down. So I said, "Why don't we let people answer the way they want to answer it?" "No." We couldn't do that. It had to be all one way. Then I said, "It all has to be 'Permanente Kaiser'."

Well, that was so ridiculous that Karl and I got together and we said, "Look, this is really stupid. We can't do this. We can't have a big group like this make these kinds of decisions because then we can't lose face." So we said, "Let's quit these things," and we stopped them. We said, "When we've got a problem let's sit down and fight it out between the two of us," so we did that. From then on we did that.

Huth: Do you remember any special problems you worked out that way?

Kay: Oh boy, a lot of them.

Huth: Do any stand out?

Kay: I can tell you some very important ones that were handled with Jim Vohs.

Huth: That's the next person I was going to ask you about.

Kay: Well, I can tell you about working with Jim. I'll finish about Karl first.

But Karl and I discovered, "Whether we like each other or whether we trust each other or not, we've got to work together, and this is going to only be a success if we do it as a true partnership with give and take."

Really, I think I had a good relationship with Karl, but I think the predominant thing was we knew that to make it work, we had to work together, and we did, and we worked out a good working relationship mainly because we had to. Now with Jim Vohs, I believed in him a great deal. I had confidence in Jim's integrity, and his interest in the group, and everything. Not that I didn't have it with Karl, but I had even more with Vohs. Therefore I would work with someone like that more because I knew we had the same objective, see.

But with Karl, early in the game we realized that we had to have confidence in each other, that we had to work together to make it work. I think that's very important. Do you get the picture of what I mean?

Huth: Yes, I do, and was he there a number of years?

Kay: Oh, yes.

Huth: Then he was in both northern and southern California in 1962?

Kay: Well, that was--do you remember I told you about the medical group? The northern California group wanted to go down to San Diego and set up a program, and that was because they felt they couldn't work with the Kaisers after Mr. Trefethen had put Tennant in.

#### Comparing Southern and Northern California Medical Program Working Relationships

Kay: See, we wanted them to only put in a regional manager that we accepted. They wouldn't promise to do it, but they did. We said, "Yes, we would try to work with Karl Steil." So we accepted Karl, and as a result Karl and I had to learn to work together.

But up north they didn't accept a contract when we did with this concept that Mr. Trefethen and his team gave us.

Huth: Was it a matter of wanting northern California to take the person that they wanted to put in? They decided that Karl Steil should be there in southern California. Is that correct?

Kay: They wanted Steil to work with us, and I thought that was all right, so we said yes. In northern California they did not accept the contract concept--to do it by contract as we did in southern California. They were not happy with Fred Tennant, who was the man that Mr. Trefethen wanted to be his representative there, like Karl was below in southern California.

Huth: Do you think it was mainly because it was the Kaiser people that were suggesting him, and not the doctors?

Kay: Oh, it had to be that the Kaiser people had to suggest him, but evidently the result was that in those years, from the time that they put Tennant in, which was about 1956, until they went down to do this San Diego thing--

Huth: That was in 1962, wasn't it?

Kay: Yes. 1962. In those years they had very poor relationships because, in essence, Mr. Trefethen by putting Tennant in pretty well indicated to Tennant that he didn't have to satisfy the medical group. As a result they had very poor working relationships, and they felt that they really didn't have any control. That's why they wanted to go to San Diego.

When they wanted to go to San Diego, I think you'll remember, I think I told you that we said we thought it was wrong--that they should work with the Kaisers.

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We told Mr. Trefethen and the other people that we didn't have any confidence in the Central Office, which meant that Keene and all of them were wrong in putting Tennant in when the medical group didn't trust him. We said he didn't care about the medical group, and the result was they didn't have the working relationships that we developed in southern California. We suggested that what they should really do was to get someone in there that had been through this, and who recognized the need for the medical group and the Kaisers to work together to develop the same working relationships in northern California that we developed in southern California. So we therefore suggested that they bring Karl Steil up, which they did.

#### Replacing Fred Tennant With Karl Steil in Northern California

Kay: They let Tennant go and brought Steil up. As I told you earlier, Tennant finally ended up in San Diego, I think. As I remember he was there when we took it over. I'm not sure, but I think that's true.

Kay: So Steil came down to Oakland, and Jim Vohs took over at southern California as kind of an assistant, with Steil running them both, but in a year's time it worked very well, and Jim Vohs took over in southern California. Karl Steil and Cece Cutting, who was now medical director in northern California, worked very well together, and developed what we thought, and I know nothing to the contrary, was a very good working relationship. He brought in the feeling with Cutting that he and I had had in southern California. Then Jim and I worked things out and had a very good relationship.

### Recalling Work With Jim Vohs

Huth: Can you tell me more about Jim Vohs? You said you could tell me some of the things that you two worked out. Would you say that you followed the organizational pattern in the way you were supposed to to work things out?

Kay: Well, we hadn't developed how that organizational pattern had to work. When we accepted this thing by contract--when Trefethen and his team came up with a proposal as to how we would do it with each organization--such as we got from the Tahoe conference, and then after that we said, "All right. We're going to have to work that out. We're going to have to learn to work together, but this is a good form to learn to work together in."

As we went along we had to develop that relationship, and it was only by doing it for a long time that we really--we had to meet problems to develop it.

Then as I think I said earlier, when Karl Steil and then Jim Vohs and I worked together, we thought this would perpetuate it. We'd established it and that was the way it worked, but it didn't perpetuate it. When you get new people in they've got the basic principles of the organization, but they've got to develop their working relationships together.

Jim and I did that over the years, and Karl and I did it, but I remember some of the things I did with Jim a little better because they were a little more recent. Oh, we had some bitter fights, but we established certain principles.

### On Membership Limits

Kay: One of the big things that we had a problem with in connection with the health plan with both Karl and Jim was taking additional membership. We all were dedicated to spreading the health plan, and taking as many members as we could, but we felt we had to be very careful to not take more members than we could take care of properly and do well. This was our usual fight.

Kay: We'd have problems. For instance at Lockheed Aircraft Company the union wanted to join Kaiser Permanente for a long time, but management wouldn't accept it. Finally management was ready to accept it at a time when we had so many members we couldn't take them. In other words we had closed the health plan. Anytime we felt that we didn't have the facilities and the doctors we wouldn't take new members.

Even though we'd take no new members you had a built-in increase that couldn't be prevented. In other words, say if we had a group like the retail clerks, if they got some more clerks to join we'd have to take them. We'd have to take all the babies that were born, and that was a lot of people. If you get one million people, they develop a lot of babies, and so you get that added.

At any rate our big problem was taking more members. We had to hit a balance, and we argued and fought over it. Well, this Lockheed group came up, and I said, "We just can't take them. We just can't take them." I said, "Why don't we try this. Why don't we, to get our foot in the door, to not let the union down, let's just say we'll take two thousand this year. Then we'll take more each year."

Oh, then the health plan said they wouldn't do that. They wouldn't do it that way. I said, "Let's try it." I said, "I think it's a pattern we've got to develop." Well, it did work. They did take it, and we took in Lockheed that way.

These are the kinds of things we had arguments over. We had to compromise.

Huth: At that time did you have dual choice, so when they couldn't join Kaiser they could get into another plan?

Kay: Yes. We had dual choice. That was Garfield's idea, way back in about 1952. I was going to say, "You'd better ask Sid." It's the first time I've been here since Sid isn't here, and it kind of shook me a little bit. Dr. Garfield and Dr. Neighbor were my two good friends.\*

Huth: So every time you came up would you see them?

Kay: They would always come and pick me up at the airport, so it's kind of difficult, you know. I needed a good martini.

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\*Sidney Garfield, M.D., and Wallace Neighbor, M.D., both deceased in late 1984.

James A. Vohs and Dr. Raymond M. Kay working on a medical program problem.



Southern California Permanente Medical Group, Board of Directors meeting, 1964. *Top row:* Drs. Ira O. (Buck) Wallin, E. (Gene) Strull, Frederick H. Scharles, Samuel O. Sapin. *Bottom row:* Drs. Raymond M. Kay, Alvin L. Sanborn, Irving N. Klitsner, Harlen H. Omlid.





Huth: Yes. I understand.

Kay: It wasn't that bad.

So that was Sid's idea. At least Sid came down with the multiple choice. I think that was about '51 or '52--somewhere in there after we had enrolled the retail clerks. But yes, they could join other plans.

Most of our fights in those early days were over taking more membership or not taking more membership. Then it got so bad for a while that we formed a committee to restrict growth, even to the point of saying, "We can't even take the ingrowth."

Huth: Do you remember the name of that committee?

Kay: Yes. It's in my book.\* [The Planned Enrollment (PEP) Committee]

It had a certain name, and it had members on it from the health plan, the hospital, and the medical group. When we went down to San Diego we restricted the number of people. In other words, with all of our contracts we had to take any new members that joined that particular union or that industry. When we went down to San Diego and to any new groups we would say we had the right to not take them if we couldn't do it.

That was our big problem--holding the growth down to where we felt we could take care of our members properly.

#### On Limiting Membership Rates

Huth: Are there any other problems that come to mind that you solved? What about questions on rates to charge and that kind of thing?

Kay: Oh, that's the big one that I want to tell you about that Jim Vohs and I worked on. I have a cute story to tell you in relation to that too.

Vohs and the health plan decided they wanted to have one year when they didn't raise dues. I think it was around '62 or something like that. They felt we could do that year probably without raising the dues. I said, "Well, wait a minute. What's going to happen next year?" The answer was, "Well, it would have to be quite a big dues raise the next year--about a dollar and a half." And I said, "Look, they're going to pat us on the head and say, 'Good boy. That's nice,' and they are promptly going to forget it. Then it's going to hurt us the next year."

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\*Kay, Historical Review, p. 122.

Kay: We argued with Jim, Trefethen, and everybody, for a couple of months. Finally one day Jim came in and said, "Well, Ray, we've heard you, but it's our prerogative to set the dues, and we're going to set them. We're going to have no raise this year." I said, "Fine. If you do that, Jim, we are going to have to have a separate health plan for the medical group. We are not going to have any health plan that sets our dues if there is something that we can do about it."

He said, "What do you think we ought to do?"

I said, "I think we're going to have to keep talking until we get something that is acceptable to both of us," and it was very simple when we did it, you know.

What we did is to say we would do it over two years. Then we raised the health plan dues that year by seventy-five cents. Then we put all of that money in the bank because we didn't need it. Then we said, "We will break our necks to not have to raise it the next year, if you will agree with that. If we do have to raise it to maintain our quality, we will raise it."

Well, we kept from raising it and it worked out fine, but that was one of the very important things. We realized that we each may have our own responsibilities, but there are certain responsibilities that had to be by joint agreement, and one of those was the health plan dues. Another was the membership--how much membership we would take. Another was, "How much and what are we going to cover on the health plan?" Another was our facilities, and the like. Those are the important things that we--

Huth: Did you do this with the committee you set up or with the help of your board of directors?

Kay: No. Jim Vohs and I did that. We talked; then he would have to carry it out.

See, when Jim Vohs was down there we didn't believe the Central Office should be the important thing. We felt that the region was the primary thing, and I still think it is. We felt that the Central Office shouldn't get too big, that the strength of the organization was in good regional management, that he and I should decide what we should do, and then he should carry it to his board and his people at the Central Office, and I would take it to my board. So we worked out the details, and then we both had to go to our boards to get approval.

You can't administer by committee. It's got to be individual. I feel that way. Your board of directors set the principles, but you've got to have an administrative team that does it. I think that is the way it has to be. I think the Kaiser board for the health plan and the hospital decided things. We did things locally, and then Jim would bring it up to Trefethen and the top people here in Oakland. Then they'd tell the board about it. That's the way it really worked.

Kay: What's kind of cute is that a guy by the name of Jack Mullin, when Shaughnesy was the coach at Stanford--I don't know--do you go back that far?

Huth: Yes, I remember coach Shaughnesy.

Kay: Jack Mullin was the star tailback, a beautiful athlete, and Jack was a friend of Henry Kaiser, Jr., you know, the one that had multiple sclerosis. He did a lot to help take care of Henry, Jr. So Jack and I got to know each other before I even came with Kaiser-Permanente through trying to help take care of Henry--I'd kind of do things to help Henry, Jr., and Jack and I got to be friends.

Well, when we started down here and everything, and after Henry, Jr., died, Jack was with the Kaiser automobiles, Kaiser-Frazer. He worked with them, and when that closed he then came with us--with the health plan. He was our public relations guy. He knew all the people on the city council. He was a hail-fellow-well-met, you know, like Karl Steil only different, more like Paul. He would help handle things politically, and the like, but he is one of the cutest, funniest guys. He can make any situation funny.

He, Karl Steil, Jim Vohs, myself, and Loren Miller--about six of us--would play handball together. He and I would usually stand Jim Vohs, and a guy by the name of Loren Miller, who used to play football for USC. Jack could beat them alone very nicely, but with me as his partner it was a close game. I was his kind of handicap. We had a lot of fun with these activities, and we got to be pretty good friends.

He tells a story, which of course he exaggerates terribly. He has Jim Vohs and me sitting across from each other arguing about this thing on dues. I had a big chair, and I would be sitting on my leg like this. I would get up because my leg was hurting like this. [demonstrating] So one time we were in this heated argument. I got up like this and Jim says, "Oh, God. I thought you were going to jump across the table and attack me." [laughter] And so we laughed about it. But Jack tells the same story except that he says that I really did jump across the table.

But I think that's one of the very important things that Jim and I learned. In other words, Karl and I learned that we had to work together, that it had to be a true partnership. Jim and I followed that through, but realized that we would have to meet certain situations as we came to them and develop a means of doing that, and that there were certain things that had to be by common decision and consent.

Huth: That's very helpful.

### The Move To Oakland

Huth: Jim Vohs was in southern California for quite a long time before he was sent up to Oakland. I noted on a card when he moved up. It was in 1962 that he was the assistant regional manager. That's what you told me. Then he was the regional manager. Then in 1966 he was vice-president and regional manager. Was he up in northern California then?

Kay: No, he was still in southern California. It's confusing. At some point they got to the point where they had to call him a vice-president. It didn't change what they did and all. It was just their ego I think. I don't know why they did it, but almost everybody's got to be a vice-president eventually. But there wasn't any change in what he did.

I don't think he went up north as top guy until after I retired.

Huth: Well, according to the annual reports in 1968 he became executive vice-president and regional manager.

Kay: Oh, is that right, and where?

Huth: He was the regional manager in southern California.

Kay: Yes. It was about a year after Karl left or someplace in there that he became manager of southern California, and he functioned in that job until he came up and took Dr. Clifford Keene's place here. But they may have added titles to it. I don't remember the date, but I thought it was after I retired because, see, I didn't feel that there should have been a doctor in that position in the Central Office. I think I told you I thought people would come there for decisions thinking that this office was speaking for the doctors because Keene was a doctor. I did not feel there should be a doctor in that position, and that certainly that office should not speak for the medical directors. That's when we started the Kaiser Permanente Committee. I think you'll remember that I told you that there were a lot of people wanting consults [consultants] or for us to move into different places, so they came to Keene and Keene would send them out.

So he had asked me to go to Detroit. I said, "I won't do it unless the medical directors want me to," so he got the medical directors to say they wanted me to. Then I went to Detroit and I looked it over.

### More on the Kaiser Permanente Committee and Jim Vohs' Replacements

Kay: At that time I started saying, "You know, maybe we should have a separate organization to decide on expansion, and to decide on sending out consults." Art Weissman and all of us talked a lot about it. Art felt we should not have a separate organization because we didn't have enough talent to do that,

Kay: but then we concocted the idea of the Kaiser Permanente Committee which would decide all the things needed as far as sending out consultants and the like, or starting in a new area, and the like. That was really the start of the Kaiser Permanente Committee.

I think I told you that the idea was to have a medical man as chairman of the committee one year--I'll bet I didn't tell you that.

Huth: No, you didn't.

Kay: And they had an administrative guy the next year, so for the first one they asked me to chair it. I said, "Well, why don't Jim Vohs and I do it together," so we did the first one jointly. Then the next year there was an administrative person. Supposedly they rotated every year. They did while I was there.

Huth: Do you think they probably do that now? Maybe we should ask that question.

Kay: Yes. Ask if they still do that, but that was really the origin of it. I don't mean that I was the one that did it, but I was concerned that that office should not speak for the doctors, and that there should be a common body of some kind. It was Art Weissman's idea that we not set up a separate organization. Then out of that came the Kaiser Permanente Committee.

Huth: Could you tell me some of the things that the Kaiser Permanente Committee did? You did tell me that they worked on consulting, and expansions outward. Are there any other things that they do that make things work more smoothly?

Kay: There's a lot in my book on what they do.

Huth: Then we should footnote the book here.

Kay: Yes. Note the book on that.\*

Huth: We will continue to footnote your book wherever it's appropriate.

Kay: We outlined what the duties should be and what they should do. When they would decide something they did it by common agreement rather than voting.

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\*Kay, Historical Review, pp. 102-105.

Kay: For instance, the northern group said they would help develop Cleveland. There was already a group in Cleveland, you know. They didn't have the needed finances and they wanted us to take them over. Cece Cutting and the people from here [Oakland] did that. Then when there was a request for developing Denver, southern California did that, and Jim Vohs and I went there for that. We set that up.

When the question came up as to what they should do about Detroit that was brought up to the Kaiser Permanente Committee, and they decided not to go. They decided the same thing for Cleveland. They also made the decision for Denver.

Then anything that was of common interest to the whole group--you should look in my book.\*

Huth: Yes, we will footnote it. I think that's a better way. Anything of common interest could be taken up?

Kay: Right, and anything where there had to be some decision for the whole Kaiser Permanente organization. We spelled out quite a bit in our first one or two meetings.

Huth: All right. Well, that's good to look there then.

There was a Mr. Wagster.

Kay: Yes, Dan Wagster.

Huth: Is there anything you can tell me about Dan Wagster?

Kay: Is that enough on Vohs?

Huth: Well, maybe not. Perhaps we weren't through yet.

With Vohs was it quite a number of years that he was there?

Kay: Yes, he was very young when he started. See, each one of these guys, Vohs, and Berner, and Wagster, all started in other parts of the Kaiser organization.

Huth: That's Carl Berner?

Kay: Yes. He's the one that is down there now, and he's the one--you know, I'll tell you he's got cancer of the lung. But boy, he's in there pitching wonderfully.

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\*Kay, Historical Review, pp. 102-105.

Kay: At any rate, most of the guys came in from Kaiser, and they came in, as I remember, to employee relations. From there they moved to the health plan, and then from there they moved into regional manager. When Jim was there, I don't remember the sequence, but I think Dan Wagster replaced him. Then Carl Berner eventually--this was after I retired. I'm pretty sure Berner eventually went to Denver.

Who was the young guy that died? Oh yes. His name was John Boardman. He was a hospital administrator. I think Jim Vohs had him down in southern California where he was in charge of developing the hospitals and new facilities. Then when we started Denver we sent him there. Then when they set up this department for consulting from the Central Office he went up to be in charge of that. Then he died, and then they brought Cece Cutting into that department.

In other words, we didn't want to have a consulting department or anything like that when we set up the Kaiser Permanente Committee, but later on the Kaisers put in some money from the Kaiser Foundation, the family foundation, and they set up this department that Boardman started. Then Cece Cutting was in it when he retired, I think. Now Dr. Paul Lairsen is in that position. He's there now. He works with Jim Vohs in this department, and that works out of the Central Office. It's a consulting group.

Huth: Is that the office that Avram Yedidia was in?

Kay: I don't know. What is Avram doing now?

Huth: He's retired, but he is still consulting. He had an office over there. I know he was consulting for Kaiser. He had an office near the Central Office.

Kay: Is that right? No, this is used only when we consult for other people. This office is where we give consultations for other groups and help other groups.

So the sequence there I think is important in that we talked about having to have a special department, or something for consulting and for expanding, and the like, that was not part of any one group or any part of the Central Office. Then we decided not to do that at that time. That was mainly Art Weissman's thing and I agreed with him.

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Huth: Do you think that we need to say any more about Jim Vohs?

Kay: Well, I always felt that Jim was a very honorable dedicated fellow, who was strong but open minded. He was a man of principle, and I think that when Keene left I felt very strongly that Vohs should have that position. Now there was a lot of ill feeling in there. I don't know what's happened since, but Karl Steil was the senior guy, and I think he was disappointed that he didn't get that job. I felt that of the two I had more confidence in Vohs.

Huth: Do you think that had something to do with his retirement? Isn't that an early retirement for him? Didn't he just retire?

Kay: I don't have anything to say about that.

Huth: All right.

Recalling the Work of Dan Wagster and Carl Berner

Huth: The next person I want to ask you about is Daniel Wagster.

Kay: Dan Wagster. I call him Dan. His nickname is Dan.

Huth: I'd like to hear about him, and then what he's doing now. Do you know where he is now?

Kay: Well, he came in either in employee relations or as health plan manager.

Huth: He was health plan manager in southern California in 1964.

Kay: Well, probably he was health plan manager in '64, and then when Jim Vohs took over the Central Office he became regional manager. There he had the difficult task of the transition after I left, and he had to work with the new medical director, Dr. Herman Weiner. Then when Dr. Weiner retired, he had to work with Dr. T. Hart Baker. This was a very difficult time, and a very difficult situation because neither of them had had much experience, and they had a difficult time working together.

In addition, during this time Dan Wagster's wife had carcinomatosis and she was evidently dying. This was very difficult on Dan. By carcinomatosis I meant she had cancer, but I don't remember where, whether it was her breasts or her uterus. For most women it's one or the other, although now more women are getting cancer of the lung than anything else because they're smoking so much. You don't smoke do you?

Huth: No. I never did.

Kay: Good.

I don't remember where. That's why I used this term. Just that she had cancer. That's all it was. This was a very difficult time for Dan.

In the meantime--and it's kind of entwined--Carl Berner, who had been health plan manager in southern California when Dan became regional manager, was sent to Denver to replace John Boardman in 1970. Boardman had gone from Denver to take this new consulting position at the Central Office. In the meantime, Scott Fleming had been sent off to Portland as



Kay: regional manager. I don't remember the year, but sometime after 1970, after I retired, they brought Scott Fleming back to the Central Office. They then sent Carl Berner as regional manager to the Oregon region.

Huth: Sort of a switching of jobs?

Kay: Yes. So in other words, he left Denver and went to Oregon. So, now we had Dan Wagster in southern California, and Carl Berner in Oregon.

Huth: And Scott Fleming was back at the Central Office.

Kay: Right. Then Marv Goldberg, a pediatrician from San Diego, went up to Oregon, and he's the present medical director. He and Dan Wagster had gone to Yale or some place--wherever they had gone to school together, so they thought it would be good to get them together.

Marv Goldberg is the name of the pediatrician who went up to Oregon. He and Dan were friends, and their wives were friends, so they switched locations. When this happened, then Dan Wagster left L.A. and went up to Oregon. Carl Berner came down to L.A. Do you get what happened in the switch, or am I confusing you?

Huth: No, now I know when Carl Berner went to Los Angeles.

Kay: And Berner has been here ever since. He's been regional manager.

Huth: Oh, did he come back as regional manager?

Kay: Yes. Berner was health plan manager in L.A. He went from there to Denver as regional manager. He went from there when Scott Fleming left to go to Oregon as regional manager, and he switched with Wagster because I think everyone felt there would be happier circumstances for all of those concerned.

Have I confused you?

Huth: If I were drawing lines for this, I'd have crisscrossed lines all over the place, but I think I do understand what happened.

Kay: I can draw it for you.

Huth: How about your relationships with Baker, Wagster, and Berner?

Kay: That's been very nice.

Huth: You got along okay?

Kay: I did, with Wagster particularly. I could understand Wagster's point of view, and I could understand Baker's point of view. I would try to get them to work together, you know. I don't mean that I did a hell of a lot to get them together, but at least I tried to get them to understand each other's points of view.

Huth: Do you think his leaving had anything to do with the way he got along with Baker? Or did he get along all right with him, and that had nothing to do with it?

Kay: Oh, I think they had a tough time. I think they had a very tough time. They did not get along, but I think it was a difficult thing. They were trying to pick up the pieces, and neither of them had had a lot of experience with this thing. Dan Wagster was having all of his personal problems. I think it was a very tough time. I think it was a very good move giving Dan Wagster a fresh start in Portland, Oregon with Marv Goldberg.

#### Managers Who Moved On

Huth: Do you know where Dan Wagster is now?

Kay: Wagster's still there. That's a team up there--Goldberg and Wagster, Goldberg and Wagster. And Denver has had several people since then. They got a guy by the name of Browne that followed Berner, and then Wayne Moon, who took Browne's place.

Huth: Now, Browne followed Berner?

Kay: Yes. Then Browne went to Dallas.

Huth: And then who came in after that?

Kay: Then when Browne left, Moon was health plan manager in L.A. Now Moon has just taken Karl Steil's place.

Huth: What position did Karl Steil have when he retired?

Kay: He was regional manager. All of them moved to regional manager spots in different areas. In other words, Karl Steil started as health plan manager in southern California. When his brother Paul left he became regional manager of southern California. He moved from that to northern California.

Huth: That was as regional manager, and he was never anything other than regional manager.

Kay: And of course he became executive vice-president and all that crap.

Huth: But that didn't mean anything?

Kay: Well, I don't know. It did to them, but it really made no difference in the job.

Huth: Maybe it was a way to give a raise or something like that?

Kay: I don't know. I don't know how they did it. I never got that much into corporate business to know why the hell they do all that.

Then Berner who started as health plan manager in southern California went from there to Denver--from Colorado to Portland, and back to L.A. and the southern region.

Huth: A round trip.

Kay: Yes. That's Berner and Wagster--I gave you that.

#### Recalling Work With Jim Smits

Huth: The other one I wanted to ask you about is James Smits, who was a regional hospital administrator in southern California. Is he still there?

Kay: His wife was in the hospital when my secretary, Ms. Mildred Robertson, was in the hospital. Mrs. Smits had another stroke, and she's evidently got Alzheimer's disease. Jim says he'll tell her about something--that they're going to go someplace, and ten minutes later he'll say, "Well, all right, let's go." She'll say, "Why didn't you tell me we were going." He's having a tough time.

Huth: That is hard.

Kay: He's taking care of her at home. He's a lovely guy. I can tell you more about him because I knew him at the county hospital. He was assistant director of the county hospital when I was working there, and in charge of the residency program. They started the Harbor branch of the county hospital.

Huth: I didn't know there was a Harbor branch.

Kay: Yes, and when he lost his medical directorship he asked me if I'd come down and be his medical director. I said, "No," because I didn't want to do administration. I wanted to do medicine. But I said, "I'll come down until we can find somebody for you," so we found somebody for him in about a month. So I was medical director for a month doing that plus my other job.

Then Jim did that, and then he went from there to be head of the Children's Hospital.

Huth: Do you know what year? We haven't put in any years.

Kay: Really I don't. I know that when he went to Harbor it must have been while I was still at the county hospital--about '48, 1947 to '48. When he went to Children's Hospital, I don't know. As someone said, that was quite a prestigious job at Children's. He then came over and joined us to be in

Kay: charge of our hospital operations. I'm not sure whether he started in charge of L.A. or in charge of all our hospitals, but he joined us, and he was in charge of all our hospital operations.

As Jim Vohs once said, "Having Jim Smits kind of gave us prestige," because he was so prominent in the field. He did that until he retired. He has still done a lot of consulting work for both of us and the different government boards.

Huth: Has he continued to consult after he retired?

Kay: Yes, he did quite a bit, and he was on different boards, and the like-- quite a bit.

Huth: What's he doing now? Still consulting?

Kay: I think he's retired now. He may be doing some. I think Jim is about eighty-four.

Huth: He left about 1969 according to the annual reports.

Kay: Is that right? But he did a lot of different things after that. He's evidently even older than I am.

Huth: And how old are you?

Kay: I'm eighty.

Huth: So is he about three or four years older?

Kay: I would guess something like that. I'm not really sure.

You know the government was setting up each different initial organization that would plan the hospitals for the area and do other related things like that. He would be on boards of that type a lot. He was doing a lot of being on boards and consulting when he left us. He was an excellent man, and he made a big contribution to our organization. As I said, he made us respectable, you know, from the point of view of the medical profession, to a certain extent.

Huth: As medical director that was one of the three activities and one of the three people you worked with, wasn't it? You worked with the health plan, the doctors, and the hospital, so you had some close contact with him.

Kay: Yes.

Organizing to Fit Physician Managers: Herman Weiner, Fred Scharles, and T. Hart Baker

Kay: I believe strongly in planning your organization to fit the people you've got. Now my two key guys were Dr. Herman Weiner and Dr. Fred Scharles. I originally had Dr. Scharles as chief of medicine, but he was too nice a guy to be chief of a service. In other words he wasn't a driving type of person, so I had it where they were my right-hand people, so I called them associate directors. Well, pretty soon people weren't sure who they should go to for things, you know, because I kind of felt they were almost equals with me.

Then I realized that wasn't working, that everybody had to have a definite position, so I made Weiner head of medicine and all of the outlying clinics, and I made Dr. Scharles the representative of our office to work with the hospitals and the health plan. I continued as medical director for Los Angeles as well as the whole organization. I felt that the medical director should stay as close to medicine in running the organization as possible, so I stayed as medical director for L.A. until I finally appointed T. Hart Baker as medical director for L.A. in about '67 or '68.

But during those years I had Weiner in charge of medicine and the outlying clinics, and I had Scharles working with the health plan and the hospital, and reporting to me. The health plan and hospital people loved it, and it worked so great because Fred was such a lovely guy. I think they enjoyed working with him more than they did with me. He was too sweet a guy.

Huth: And where's Scharles? Is he still living?

Kay: No, he died. He died before I retired. He had a stroke and never recovered from it in about '68, something like that, or 1969.

Huth: And what about Herman Weiner?

Kay: Well, as I say, Weiner became medical director when I retired, and I don't believe he was ever happy. I think he maybe felt he was getting too old. I don't know. I think he always resented that I didn't retire earlier or that I didn't make him L.A. medical director.

When I retired my office was a really lovely office, but he had to have it completely redone. Whenever I was at a meeting he felt that he wasn't medical director, and I tried very much to stay out of his way. We stayed as good friends, but I think he felt insecure.

I think he wanted to please the guys so much that he was never content that he did it well. I don't know, but he became very depressed at any rate. You know, you want to please the guys, but you can't be a hero to everybody, and you've got to be a son-of-a-bitch at times. I thought he was a strong guy, and I didn't realize that this would get to him.

Huth: So what happened?

Kay: Well, he had a mental breakdown. He had to leave, and at that time when he left he went on sick leave and under psychiatric care. That's when the board appointed T. Hart Baker, just temporarily, because he was locally there. Then Herman Weiner came back, but after a few months, he just felt he couldn't do it.

Huth: So then did he retire?

Kay: Well, he retired as medical director, but he still stayed around for six months or a year, but then he finally retired on disability. I don't remember the exact year, but it must have been about '73 or '74, somewhere in there.

There should be something in the records that shows when Baker became medical director temporarily and then permanently. Well, when he became medical director permanently is when Weiner finally retired from that job. Within a year later Weiner took disability retirement. We never see him.

#### More Comments on Northern California Organization and Administration

On Drs. Monte Baritell, Morris Collen, and Cecil Cutting

Huth: The next person I want to ask you about is Dr. Monte Baritell.

Kay: Baritell is no longer with the group.\* He was the head of surgery in Oakland as I remember. There were four or five leaders in the medical group in northern California. I was always under the impression that they all would have liked to have been medical director. At any rate there was certainly Baritell, Morris (Morrie) Collen, and Cecil Cutting. As you know, Cece Cutting eventually became medical director.

I think I told you before how Mr. Henry Kaiser, Sr., when he became interested, wanted to start Walnut Creek, and he wanted to choose his doctors and pay them the way he wanted to. Dr. Sidney Garfield had to intercede on behalf of the medical groups dealing with that--that that was the medical group's responsibility. Mr. Kaiser was not happy with that. Dr. Garfield was somehow caught in the middle when the medical groups up north were not supportive of him with Mr. Kaiser, and Mr. Kaiser was not happy with him because he was interceding for the medical groups and the medical groups were not particularly supportive of him.

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\*Dr. Baritell is deceased.

Kay: I never had the feeling that Cece Cutting was against Dr. Garfield, but he certainly didn't protect his position. I really don't know about Monte Baritell and Morrie Collen, but evidently they were working with Mr. Kaiser and were not supportive of Dr. Garfield. As a result--do you remember we talked about it--the northern group said, "We'll run the medical group. You go ahead and run the hospital and the health plan with the Kaisers." That's when the Kaisers brought Clifford Keene in. Garfield was eventually dissociated from the medical groups, and then he resigned as head of the hospitals and the health plan before the Tahoe Conference.

I always felt that there was a certain amount of competition for the top spot here in Oakland. I felt that they, in those times, were not supportive of Dr. Garfield. I knew Baritell only during those episodes in that period and when we were working with the Kaisers. I thought he was a strong man. I didn't know much about him.

Huth: Is Dr. Collen still with Kaiser?

Kay: Yes, Morrie Collen is still with the group. I knew Morrie way back at the county hospital when he was a resident there. He's a very smart internist and a very smart guy. He got very interested in research in doing this health appraisal where they would take a large number of people and do complete examinations on them. Then they followed it up to see if they would catch cancer early, and to prevent things by doing that. Morrie contributed a lot.

Huth: And is he still working?

Kay: I really don't know whether he's retired or not. I talked to him the other day. I phoned him to see what ideas he had for a memorial for Dr. Garfield.

Huth: In connection with Morrie Collen you mentioned something about government money?

Kay: Yes. This health appraisal--doing yearly examinations of people and seeing if we could pick up diseases early was a very prominent trend several years ago. Morrie Collen did a lot of work on that, and he had a lot of government financing for it. He did some rather interesting work on it.

I learned one lesson from this. When I retired I was talking to Art Weissman about this saying, "Maybe I should get government money for some of the projects I want to do."

##

He said, "Ray, don't count on it because you'll start a project on that money, but eventually it'll end up as a medical group expense because the government won't perpetuate it." I think that was very true. This is the kind of thoughtful advice that Art Weissman gave us on so many activities in the medical care field.

Recalling Art Weissman and Dr. Irving Klitsner

Huth: Did we talk about Art Weissman? Have we said anything other than what you just told me? Can you tell me more about your relationship with him?

Kay: Oh, I think he had more knowledge and taught me more than anyone else. I think he had more real feeling and knowledge for the health care field and things we were doing than anyone else I know. I think he was a tremendous force in the whole effort of Kaiser Permanente.

Huth: When did he die?

Kay: Well, in the '70s--'73, '74, '75, somewhere in there. He just had a fundamental feel for the movement, and he was so wise and so knowledgeable in every facet of it that I think his contributions are as great as anybody's I know.

Huth: You were going to tell me more about Dr. Irving Klitsner.

Kay: Oh, yes. Irv Klitsner was one of our key men in southern California. He was a resident at the county hospital when I was in charge of the residency program. He came up and started working in San Francisco as a pediatrician, but when we started southern California he came down and joined us because his wife loved southern California so much. She loved southern California so much we called her "Southern Cal."

He came down south and he was co-chief of pediatrics in Los Angeles when we started the Los Angeles operation. That's when he came down--when we started Los Angeles. He was co-chief of that with a fellow by the name of Erwin Goldenberg. When we were going to expand to Panorama City and start a health plan in the San Fernando Valley we chose him as the medical director of that area--associate medical director in charge of that area. We built up a clinic around him in the Valley. Then he and I planned the whole building of the Panorama Medical Center.

When Dr. T. Hart Baker was medical director, he asked Klitsner to come in as his associate medical director for the whole group. I thought that was a very wise thing because Klitsner had been in the operation and he had started that whole Panorama City setup. He had run it beautifully, and I thought Baker needed that know-how. But I told Klitsner that I thought he should not do it unless they clearly delineated what his responsibilities were because I'd had the experience of knowing that you have to have a clear understanding of the responsibilities of a person in a position like that.

Well, he wrote out what he thought about it, but I don't know that Baker understood it at the time, and it was only in the later years that I think Baker appreciated how valuable "Klits" could be, but by this time he really had never had a portfolio, and I think the other members in administration didn't realize what a top drawer guy he really was.





Key associates and friends help Dr. Kay celebrate his 75th birthday in 1979. Left: Dr. Sidney R. Garfield presents Dr. Raymond Kay with the first printed copy of his book on the medical program. Right: Drs. T. Hart Baker, Sidney R. Garfield, Raymond M. Kay, and Mildred Robertson.



Dr. Erwin D. Goldenberg receiving a meritorious service award from a key associate, Dr. Irving N. Klitsner.



Huth: So what happened to him?

Kay: Well, the result was that when Murray came in, he didn't reappoint him in that position, and I think this is one of the gravest mistakes that occurred in the group.

Huth: What happened to Klitsner?

Kay: He went back and worked for six months on--he's particularly interested in adolescent care. He's the father of adolescent care in our whole organization--well, at least in southern California, and he went back and worked three months at Children's Hospital, and three months at UCLA. He now does adolescent medicine, and he also does pediatrics.

Huth: Did he leave Kaiser then?

Kay: Oh, no, no. He's with us.

Huth: But you said he went back for six months to Children's Hospital and UCLA.

Kay: Oh, well, that was just a refresher, and I want very much to see us have a pilot project with some of our money for Klitsner to develop a good program on adolescent care as a pilot and model for the rest of the organization.

I think that Klitsner is one of the finest men I have ever known. I can't imagine him ever doing anything that was ungentlemanly or hurting anybody.

Huth: It sounds as if he would be a good person to interview in this project.

Kay: Oh, I think he'd be swell. Yes, that's my point. I think he's one of the finest men I know, and I think he's really dedicated to the things that we really built this organization to do.

Huth: Where is he located?

Kay: He's at Panorama now. That is where he was medical director, and now he's doing adolescent medicine.

On the national scene he worked very closely with the American Group Practice Association as our representative, and with the Group Health Association of America, GHAA. He was also our representative with them, and he still is. But his real value, I think, was never utilized, and that was in clinical work as associate medical director to improve the clinical services--the care of the patients.

Yes. I think he'd be a swell one for you to get, Ora, and Jack Gordon is another one that I think you should interview.

Huth: You told me a little bit about Jack Gordon--quite a bit. Is there more you want to tell me?

Kay: He was in charge of our labs.

Huth: You told me all about that so I think we have the story about him.

Kay: Those two, I think, are particularly great guys. Irv Ackerman and Al Sanborn are others who would be good.

Huth: I don't know how many we'll do.

Kay: Yes, well, the other two were better communicators.

Huth: Gordon and Klitsner?

Kay: Yes, but Al Sanborn's been there longer than any of us, and he is a swell guy. I really think a lot of Al. Let's see, who else is there? Oh, a lot of guys.

#### More on Work with Special People

Huth: Who were your close friends, the ones that you associated with socially, and who were your closest friends? Were any of these people that we've just been talking about close?

Kay: Oh, I reckon, yes, when you work with them.

Huth: But more than just working with them?

Kay: I didn't associate socially with any of them particularly except Fred Scharles and Herman Weiner because we grew up together.

Scharles was in the army with me. I was assistant chief of medicine at Woodrow Wilson General Hospital in Virginia, and I helped set up the hospital. Scharles came there in charge of one of the sections. We became very close friends. His wife and his little children were about the same age as mine, and we both believed in this very much. He was a very well trained internist from Washington University in St. Louis, and he'd trained at Peter Brent Brigham in Boston. He had been practicing in Kansas City, where he took care of some of the political guys.

When we were in the army we talked about doing Permanente, and when he left the army he came with Permanente and came to northern California in the physical medicine department. When I started in southern California he came down there and joined me. While he was there his wife died with cancer. When we moved to L.A. he came up to L.A., and his mother and his two sons came with him. He had a tough time, but he was a lovely guy.

Huth: When did he pass away?

Kay: Well, in 1968. I guess that was when it was.

Huth: In '68 was he still working for Kaiser?

Kay: Oh, yes. As I said, he was my associate medical director for the health plan and hospital. He worked very closely with them, and everyone loved him.

Huth: We have pictures of him in your scrapbook.

Kay: Yes. I think so, and I've got a picture of him in my office.

Huth: I remember that picture.

Kay: I can get that for you.

Huth: That will really be helpful. Would you care to make any further comments about Eugene Trefethen and your relationship with him?

Kay: Yes.

Gene Trefethen is a tough strong administrator. We had some real battles, but I always felt that he was fair, and all the fights were constructive. I felt that he contributed a great deal to our medical care program. He helped us develop a fair and strong relationship between the Kaiser industrial family and the medical groups. I always felt that we'd argue and fight, but out of that would come constructive things. I really feel that he helped us develop the relationship that was so important as much as anyone did. I think he's a strong remarkable guy.

Huth: We briefly talked about Bill Davis. You mentioned that he was an administrator. Can you tell me a little more about Bill Davis?

Kay: Bill worked a great deal and very closely with Sid. He had a tremendous love and respect for Dr. Garfield. He felt great loyalty to him. His wife tells me he never stopped addressing Dr. Garfield as "Sir." He helped Sid in all his planning work and his building projects, more than anything else. But I think he knew Dr. Garfield and his feelings and desires as much as anyone, and in the recent years I think he and Karl Steil spent a lot of time with Dr. Garfield.

Closing Remarks: Dr. Sidney Garfield's Special Project\*

- Kay: I was just thinking that maybe Karl Steil could tell you about his relationship with Sid Garfield, but maybe not. That would be kind of difficult to do. You've got quite a bit about Sid.
- Huth: Yes.
- Kay: I can do more if you want on Sid, but in recent years this project that he started some five or six years ago--
- Huth: What project is that?
- Kay: I'll tell you about the project. Let's start with five, or six, or seven years ago. That's when Dr. Garfield decided that he wanted to do a project studying the possibility for changing people's patterns of living, and making them have healthier patterns of living.

We talked about it at length and I said, "I think it would be a very interesting thing to try to do, but don't spend very much money on it because I don't think you can change people a hell of a lot." You take people that are having problems because of obesity, alcohol, and cigarettes--they don't change until they want to. I had reservations about it, but I thought it was interesting to try.

Sid developed this project, and--it must have been for the last five years that he's had Kaiser Family Foundation funds to use for this. They formed a special unit of doctors and nurse practitioners. They had certain health plan members going to that medical unit and not to the regular units. They took the first six thousand members and they encouraged them to all have physical examinations, and then for all illnesses and all care they'd come back to this unit of doctors and nurse practitioners, see. The next six thousand members would have a physical examination if they wanted to, but they did not have to have it, and they would also come back to this unit. Then they took up the third six thousand, and they had them go through the regular channels catch-as-catch-can as we usually do throughout the organization. They were doing this, and they were going to evaluate it to see what happened in utilization of services by members--health and everything--within these three groups.

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\*The Total Health Care Project sponsored by the Kaiser Family Foundation.

Kay: Dr. Garfield and Dr. Bob Feldman were in charge of this project. Dr. Feldman is still carrying it on, and Dr. Cutting is now taking Dr. Garfield's place in this. Dr. Morrie Collen has been interested in it. I'm not sure how much he's evaluated and appraised it.

I came up to Oakland about a year and a half after they started the study because I was very interested in the concept of having a unit that takes care of a certain amount of member services. Well, they wanted me to see it, and to find out what I thought about it. My main concerns were that they were having a psychologist and an educator work with the nurses and the doctors. I was a little concerned about this because I don't like to see patients be fragmented, for example, by going to one person to be educated when I thought the doctors and nurses should be doing that. But they reassured me that these educators and the psychologist were training the nurses, and then acting as consultants. I hope that's the way it works. I haven't seen it since, and I haven't seen the results of any of it.

But I thought its greatest value was in having a unit of doctors and nurses to which people came for their medical care--almost like a private practice office. We're trying to do that in southern California, but not as a separate unit. I'm just trying to get as many of the services as possible. We're trying to develop this with our nurse practitioners, working in teams with the doctors. Eventually I had hoped that we could have every patient have a unit like a private office that they belong to and go to for primary care. Really that's the kind of thing they were doing there. They're still doing it, and you could find out more about that from Bob Feldman.

Huth: That's very good that we are ending with this look to the future.

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Transcriber: Stella Dao  
Final Typist: Shannon Page

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## APPENDIX

industrial care and obtaining permission from the construction contractors to offer prepaid health care to workers through payroll deductions, Dr. Garfield was able to pay off his loan and expand his staff and operations.

His success with group practice prepayment attracted the attention of Henry J. Kaiser and his son Edgar, leading to their lifelong association and the development of the Kaiser Permanente Medical Care Program.

From 1945 to 1952, Dr. Garfield oversaw the Program's operations. In 1952, following implementation of the concept of separate and independent Permanente Medical Groups, Henry J. Kaiser appointed him medical director of Kaiser Foundation Health Plan, Inc. and Kaiser Foundation Hospitals.

Dr. Garfield served in that capacity until 1958, when he was named vice president of facilities for the organization and a member of the Board of Directors. He retired as a vice president in 1969, and from the Board of Directors in 1971.

Most recently, Dr. Garfield was chief investigator of the Total Health Care Project at the Kaiser Permanente Medical Center in Oakland, California. The pilot research project funded by grants from Kaiser Foundation Hospitals and The Henry J. Kaiser Family Foundation involves physicians, health educators, counselors, nurse practitioners, and other health care providers into a team emphasizing health promotion as a component of medical care for the patients being served.

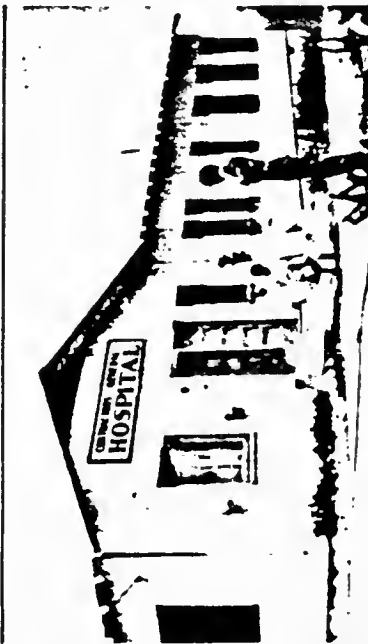
He wrote numerous articles and books on health care, primarily on prepayment systems, health maintenance, health testing, and health promotion. He received many awards, including the prestigious Lyndon Baines Johnson Foundation Award for significant contributions in the field of delivering health and medical care services,

Sidney R. Garfield, MD, physician co-founder of the Kaiser Permanente Medical Care Program, died in his sleep early Saturday morning on December 29 at his home in Orinda, California. He was 78.

"Dr. Garfield was a true pioneer in the history of American health care," said James A. Vohs, Chairman and President of Kaiser Foundation Health Plan, Inc. and Kaiser Foundation Hospitals.

"We are indebted to Dr. Garfield as Kaiser Permanente's co-founder for demonstrating that the concept of a prepaid health care delivery system is both practical in application and supportive of the highest standards of quality medical care," Vohs added.

Dr. Garfield was born April 17, 1906, in Elizabeth, New Jersey. He earned a BS



*Dr. Garfield's first hospital at the Los Angeles Aqueduct construction site in California's Mojave Desert, 1933.*

degree from the University of Southern California in 1924 and his MD degree from the University of Iowa Medical School in 1928. He completed internship at Michael Reese Hospital in Chicago and at Los Angeles County Hospital.

After completing his residency in surgery at Los Angeles County Hospital, during the



*Early Permanente physicians (standing, from left) Fred Charles, MD, (former associate medical director, Southern California), Wally Neighbor, MD, Sidney Garfield, MD, (seated, from left) Raymond Kay, MD, (former medical director, Southern California), and Rick Moore, MD, gather in Orinda, California, 1949.*

## Friends remember

"To him, good care of the patient was the ultimate objective of the program," says Raymond Kay, MD, one of the early Kaiser Permanente physicians and a close friend of Dr. Garfield. "The program that he developed is evidence of his imaginative, determination, and administrative ability."

"From his early days of training, Dr. Garfield recognized the great value to both the patient and the doctor of having a group of doctors sharing the responsibility of the welfare of the patient," he recalls.

"To those who've worked with him, he was a warm, considerate, and inspiring man.

depth of the Great Depression in 1933, Dr. Garfield contracted to provide industrial medical and hospital services to workers building an aqueduct across the Mojave Desert from the Colorado River to Los Angeles. He borrowed money to build a small hospital that could be moved on skids across the desert as the construction site progressed westward.

He soon found himself near bankruptcy operating on a fee-for-service basis. After negotiating a prepaid contract with the industrial indemnity insurance company for

# Sidney R. Garfield, MD

## 1906 — 1984

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*"Dr. Garfield was a true pioneer in the history of American health care."*

---

and the Distinguished Service Award from the Group Health Association of America. "Dr. Garfield's contributions to our Program and to medical care in the United States are beyond measure. All of us associated with Kaiser Permanente are indebted to him for his vision, for his leadership, and for his untiring commitment to our Program," said Vohs.

An individual who could never do anything unkind or unfair," said Dr. Kay.

"He was one of the first people who recruited me," said Irving Klistner, MD, Panorama City medical center, of his association with Dr. Garfield. "I was impressed by the caliber of his person and his interest in doing what's best for the patients."

"I remember I spent a year in Northern California, around 1950, just bulling with him (and some of the other early physicians) just talking with him and finding out if we all believed in the same things, the same philosophy of delivering health care. We found out that we all did agree," he said.

"There was one speech, years ago, to the medical directors—about the time everybody was calling us a bunch of communists—when he (Dr. Garfield) wanted us to remember three points that I'll never forget," says Dr. Klistner. "One, keep your

eyes on the stars—meaning that there's nothing beyond your reach if you're sincere about your goals and you're willing to put forth the effort to get there.

"Two, keep your arms around each other—your colleagues are your friends. Stick together, have sensitivity about their problems. And three, keep your hands on your pocket book—keep expenses, costs down. Put something away each year (from your budget) so if you need equipment, you'll have it. That helped us all out when times were tough and we were all renegades in medicine."



*Dr. Garfield served as vice president of Facilities for Kaiser Permanente from 1958 to 1969.*



Kaiser Permanente Hospital, San Francisco.



Kaiser Permanente Hospital, Los Angeles.

## A REPORT ON PERMANENTE'S FIRST TEN YEARS

SIDNEY R. GARFIELD, M.D.

In September 1942, a group of men, high up in an office building overlooking San Francisco Bay, had just finished outlining a plan to meet the serious dearth of facilities and medical services in the Bay Area created by the mass dislocation of people into wartime shipbuilding. They chose "Permanente" as the name of that plan. It is a Spanish word meaning firmly established — lasting — stable, and the name of an ever-flowing stream in the San Jose hills of California.

It was not by chance that these trustees could formulate and put into action the complicated mechanisms involved in creating a medical and hospital service practically overnight. For a decade preceding this event (1932 to 1942) they had struggled and worked with the problem of bringing the best possible medical and hospital care to average workers at a cost they could afford. By studying the work and mistakes of others, by trial and error on several projects in divergent areas of the country, they had evolved a set of principles that worked.

The first widespread application of this plan came about in this fashion. The result was an extremely impressive demonstration of its effectiveness, and probably the most outstanding wartime medical service outside of the armed services.

At the end of war in 1945, shipbuilding was discontinued and the shipworkers dispersed throughout the country. From the relatively few remaining, however, arose an insistent demand sufficient to warrant continuation of the health plan on a community basis. Today, 6 years later, Permanente serves 250,000 members in California, Oregon and Washington, as well as countless numbers of others in these areas. The steady growth (after end of war) of the Permanente Health Plan has been gratifying, and certainly indicates public acceptance. In fact, more rapid growth is limited only by ability to secure facilities and physicians fast enough to keep up with public demand. It is important to realize this growth was accomplished mainly of its own impetus, since active solicitation was carefully avoided.

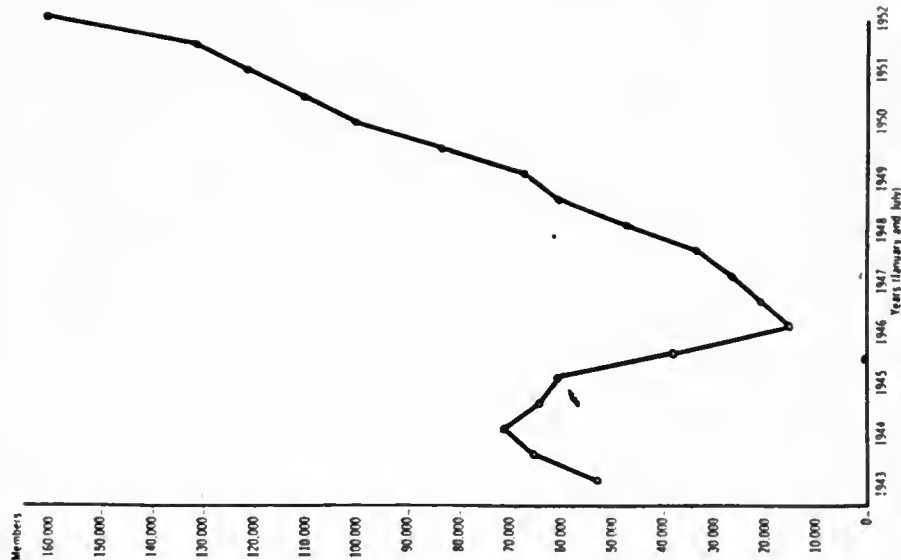
In addition to the membership shown on the graph for the Bay Area, there are at present approximately 50,000 members in Southern California, and 25,000 in the Portland-Vancouver Area. It is anticipated that the new medical centers being constructed will enable the membership to be increased from an overall figure of 250,000 to 400,000.

### BASIC PRINCIPLES

The effectiveness of the Permanente Plan is relatively simple to understand. Early in the developmental decade (1932 to 1943), it became increasingly evident that much of the high cost of medical care was due to waste resulting from poorly planned facilities, insufficient coordination between physicians and

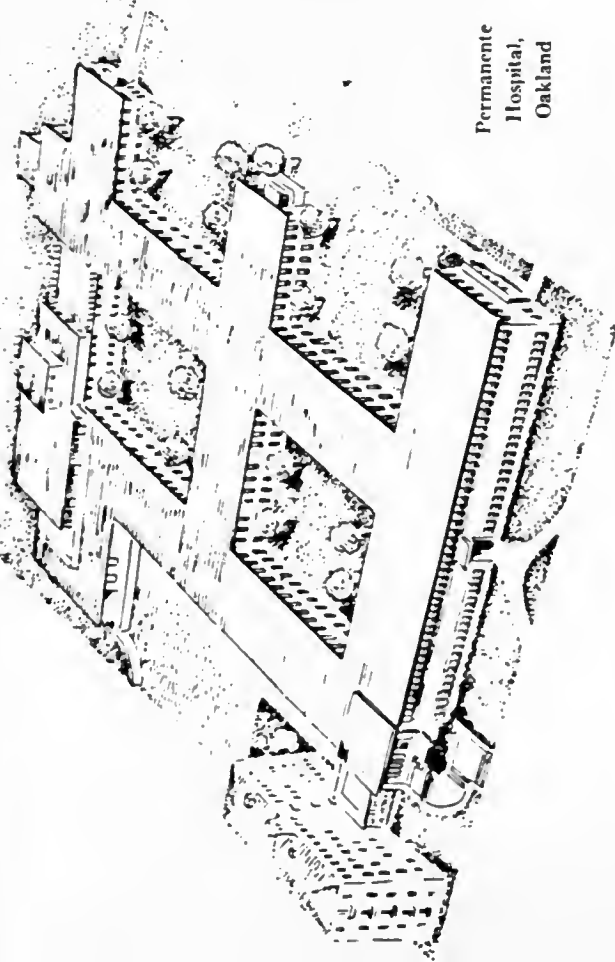
Medical Director, the Permanente Foundation, Oakland, California.

institutions in which they worked, and between physician and physician. The simple solution was to bring the physicians into coordinated group practice, operating in medical centers and hospitals geared to serve them efficiently. This improved quality as well as produced economy. The solution to the problem of ability to pay is a prepayment plan (insurance principle), and the elimination of waste permits the prepaid dollar to do the necessary, comprehensive medical job. Finally, it is necessary to have these prepaid funds go directly to the physicians and hospitals, abolishing fee for service. This results in a reversal of the

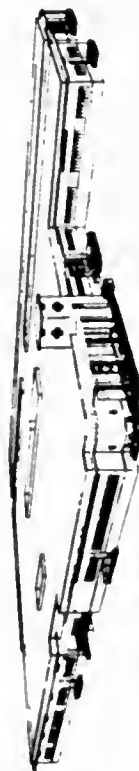


Graph 1. Total Membership, Bay Area Permanente Health Plan, January 1943 through January 1952.

In Spring 1945, the Richmond shipyards began to close. In the next 10 months 53,000 Health Plan members were discharged from shipyard employment. As a result, the Health Plan membership reached its lowest point (14,500) in October 1945. At this time the Plan was extended to other Bay Area residents. By December 1946 there were no longer any shipyard Plan members. Present Bay Area membership includes the San Francisco, Oakland, Richmond, and Vallejo areas.



Permanente  
Hospital,  
Oakland



Permanente  
Hospital,  
Richmond



Kaiser  
Permanente  
Hospital,  
Walnut Creek

usual economics of medicine. The well person becomes an asset to the hospital and doctor — the sick person a liability, thus heralding the preventive medicine of the future.

The Permanente concept of a medical care program includes all of the elements comprising medical care today —physicians, nurses and auxiliary help, hospitals and medical centers. It includes teaching and training of nurses and doctors, and also provides for research and charity. In this completeness and integration, it stands alone among the health plans in this country, being the only one providing all these services.

#### ORGANIZATIONAL FORM

Simply stated, the Permanente system is composed of 4 separate but coordinated organizations:

1. Permanente Foundation
2. Permanente Health Plan
3. Permanente Hospitals
4. Permanente Medical Group

1. *Permanente Foundation* is a charitable trust which provides facilities and funds for teaching, training, research and charity.

2. *Permanente Health Plan* is a nonprofit trust. Its function is to enroll members, collect funds and keep records of eligibility. The funds collected by Permanente Health Plan are divided proportionately between the hospitals and medical groups, less the necessary administrative expense of Permanente Health Plan.

3. *Permanente Hospitals* is a nonprofit corporation which operates the hospitals and medical centers in the same fashion as any hospital is operated. It secures its income from 2 sources, a substantial portion from Permanente Health Plan's prepaid dues and a variable amount from private patients of Permanente doctors and other physicians in the area.

4. *Permanente Medical Groups*.<sup>\*</sup> These are independent groups of physicians organized as partnerships, each group covering a regional service area. These partnerships are as ideal as possible in their interphysician relationships, aims and incentives — eligibility for partnership being 3 years of service with the organization. The incomes of doctors compare favorably with those of privately practicing physicians in the same area.

#### PROGRESS IN BUILDING FACILITIES

The achievements of Permanente in this field are very striking. Beginning in October of 1942 with a modest little hospital of 80 beds in Oakland costing \$300,000, there has been a rapid growth of unit after unit, till today Permanente has 6 hospitals (medical centers) in operation with a total bed capacity of 1,090 "general" beds. Three more are in construction, adding 520 beds to this number, and there are on the architects' boards 4 more small ones that will add 200 more beds. In addition to these 1,810 beds in medical centers, the

<sup>\*</sup> Note: This is the ultimate organizational form of all Permanente Medical Groups. Not all of them have reached this form and there are some experimental variations.



Permanente Hospital, Fontana, California.



Permanente Hospital, Vallejo, California.





Permanent organization includes 2 rehabilitation institutions with 275 "rehabilitation" beds, as well as a hospital and clinic developed for several industrial plants in Utah.

The growth of facilities made possible achievement in another field — that of hospital and medical center designs. The Kaiser Permanente Hospitals now under construction in Los Angeles and San Francisco present many new ideas in hospital construction. Each unit has approximately 225 beds, and the 2 hospitals together will cost \$6,000,000.

By routing the public through outside corridors, an entirely new concept of hospital service is made possible. Rather than using the usual central corridor, which creates a traffic problem, the public enters the patients' rooms through sliding glass doors from the outer corridors running along 2 sides of each floor. Both walls of the outside corridors are glass from floor to ceiling,

affording an "outdoor" environment. Drapes operated by electric motor from the patient's bedside afford complete privacy during visiting hours.

The usual public central corridor on each floor will be restricted to physicians, nurses and employees. It will include decentralized nurses' stations and utility rooms. Drugs, medications, x-rays, treatment materials, instruments, linens, charts, etc. for each patient will be kept at stations just outside the patient's room. Each station will be devoted to 8 beds, decreasing nurses' walking to one-seventh that required under conventional floor plans. Eliminating the public from this area and decentralizing nurses' stations provides more efficient service, allows closer observation of the patient, and permits the attending physician to determine at a glance the patient's condition and treatment.

There will be a control station on each floor for a supervisor, who has direct vision of all personnel on the floor. These stations will control and route visitors down the outside corridors. The supervisor also will handle incoming and outgoing requisitions via conveyors and mail chutes, which are so planned as to serve each point for transportation of material — storeroom, pharmacy, laboratory, record room, business offices and central supply. Requested materials are delivered automatically. The control station will be connected with each nursing unit by intercommunication systems.

The obstetrical floor will have a built-in sound-proofed nursery behind each bed with a bassinets that is pulled through the wall separating the nursery and the mother's bed. When the bassinets is pushed back into the nursery, an automatic signal light notifies the nurse. A viewing window in the mother's room permits visitors to observe the baby in the nursery without danger to the infant. This plan caters to the principle of having the mother and baby together as much as possible for practical and psychological reasons.

The 2 top floors of the hospital are planned for hotel type service for convalescent patients. As soon as patients become ambulatory, they will move to the hotel rooms where, in pleasant surroundings, they will finish out their stay. Such patients may eat in a buffet-style dining room, sleep late in the morning, participate in social recreation, watch television programs, and the like.

There will be no multiple bed wards in the hospital. Each room will have a maximum of 2 beds, with many single occupancy rooms also provided. Beds will be of the electric motor type with adjustments controlled by the patient. Alongside each bed within reach of the patient will be a lavatory with hot, cold and ice water taps, radio and phonograph outlet, piped oxygen, and individual clothes closet.

## ECONOMICS

The Permanent record of performance in this field is probably one of its greatest contributions. Throughout the 10 year period, it has remained constantly and impressively sound.

The greatest tribute to this economic achievement is the present loan secured from the banks for our new construction. One million dollars of the new \$9,500,000 projects was donated by the Henry J. Kaiser Company and the Kaiser Steel Corporation. The remainder will be financed by commercial banks. This marks a milestone in hospital construction and opens new horizons. The

Table 1. *Permanent Hospitals, Clinics and Rehabilitation Centers*

Facility	Location	Inpatient capacity, Number of beds	Outpatient visits per month
<i>Existing Hospitals</i>			
Northern Permanente Hospital	Vancouver, Washington	250	3,600
Permanente Hospital	Oakland, California	310	31,000
Permanente Hospital	Richmond, California	100	8,250
Permanente Hospital	Vallejo, California	300	8,700
Permanente Harbor Hospital	San Francisco, California	35	500
Permanente Hospital	Fontana, California	95	8,000
Utah Permanente Hospital	Draper, Utah	30	5,000
<i>Existing Clinics</i>			
Portland, Oregon	2606 N.E. Broadway		3,400
San Francisco, California	515 Market Street		8,700
South San Francisco, Calif.	317 Miller Avenue		1,600
Redwood City, California	900 Main Street		1,000
Napa, California	617 Jefferson Street		600
Oakland, California	3611 Piedmont Avenue		3,000
Oakland, California	243 W. MacArthur Blvd.		500
Los Angeles, California	140 North La Cienega Blvd.		5,500
San Pedro, California	599 West 9th Street		2,800
Glendale, California	102 S. Central Avenue		300
Fontana, California			1,000
San Bernardino, California			750
<i>Research Institute</i>			
Belmont, California			Patient treatments per month
<i>Rehabilitation Centers</i>			
Kabat-Kaiser Institute	Vallejo, California	200	3,600
Kabat-Kaiser Institute	Santa Monica, California	75	4,500
Kabat-Kaiser Institute	Washington, D. C.		1,650
	Total	1,195	105,950
<i>Hospitals in Construction</i>			
Kaiser Permanente Hospital	San Francisco, California	225	
Kaiser Permanente Hospital	Los Angeles, California	225	
Kaiser Permanente Hospital	Walnut Creek, California	76	
	Total	526	

traditional mistrust and reluctance of the banking world in respect to hospital financing has been breached by the performance of the Permanent Plan over the past 10 years. This is even more striking when one considers that this record was established while giving the members of the Plan more and better medical and hospital care for their dollars than any other plan in the country and, at the same time, providing financially for facilities, equipment, teaching, training and research—all a necessary part of the complete program.

The following are a few random statistical figures:

Funds provided to Permanent physicians and other professional personnel .....	10 year period	\$23,500,000
Funds provided to nonprofessional personnel .....	10 year period	10,300,000
Funds provided to non-Permanent physicians and other professional people .....	10 year period	1,500,000

EDUCATIONAL AND RESEARCH PROGRAM

Permanent believed that a medical plan worthy of perpetuation, in addition to being economically sound, must provide teaching and training to stimu-

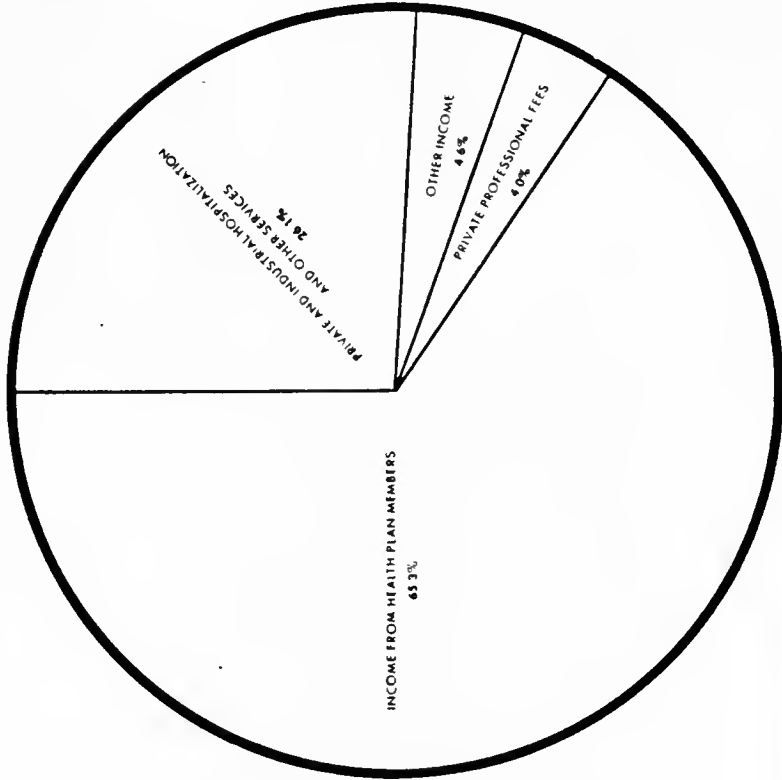


Chart 1. Distribution of Total Income, March 1952.

late high quality of care and research to contribute to medicine of the future. These objectives have been continuously stressed. Permanent has its own nursing school and its interne and approved residency training programs. A separate research laboratory building was recently acquired at Belmont, California, and a quarter of a million dollars per year has been budgeted for this program. An educational leave program has been developed for all physicians and educational activities are encouraged. During the past year, considerable effort has been devoted to working out an affiliation with a medical school so as to develop further these educational activities.

The Permanente Foundation Hospitals offer a variety of opportunities for interns and residents to learn the art and practice of medicine. Residencies are offered in all the major specialties. The interns rotate through all the major departments. While on these services the interns take part in seminars, staff rounds and other educational conferences.

The Permanente School of Nursing was established in 1947 for the purpose of preparing young women in the art and science of nursing. Special emphasis is placed on the teaching of the methods of protecting and maintaining commu-

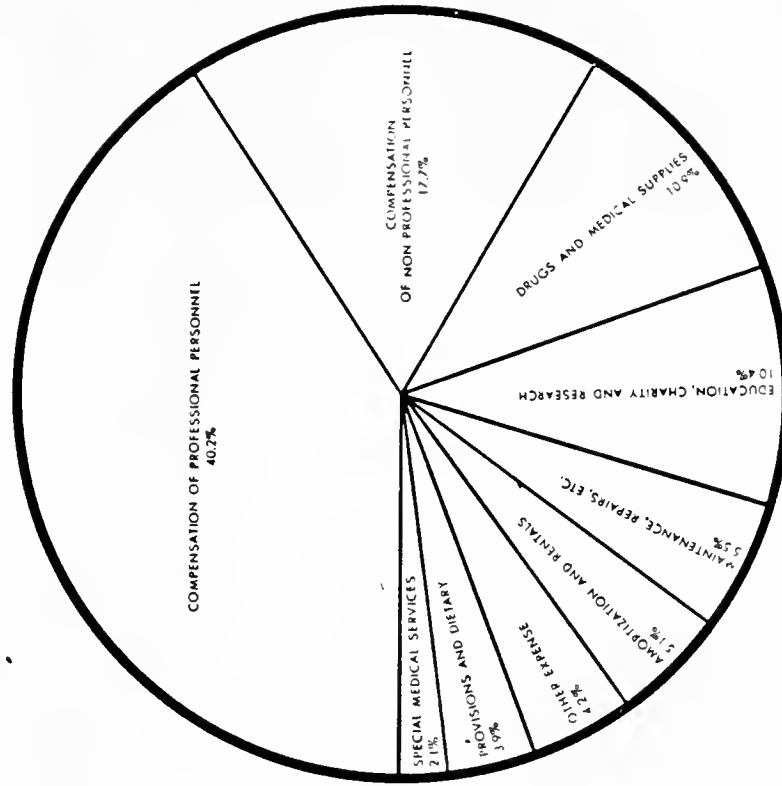


Chart 2. Distribution of Total Expenses, March 1952.



nity health and on the skills and techniques of bedside nursing. The course of study and practice continues over a 3 year period. During the first 6 months the student spends the greater part of her time in study. Upon completion of the preclinical period the student enters into a regimen of constant study and clinical experience in the various departments of the Permanente Hospital in Oakland, where her work is carried on under the guidance and supervision of the Oakland Hospital staff. No effort and no thought has been spared in constructing a course of studies which gives the student nurse an opportunity to acquire an excellent and basic foundation in the profession of nursing.

The research activities sponsored by Permanente fall into 2 spheres. Clinical investigation concerned with the study of new diagnostic techniques and therapeutic agents and the development of new knowledge of disease is supported and encouraged on the part of any interested member of the medical staff. A number of research fellowships are maintained to further this work. Studies of cardiac drugs, agents for controlling the symptoms of peptic ulcer and other gastrointestinal diseases, insulin stress for the symptoms of arthritis, and medicinal agents giving promise in hypertension are examples of the projects which are now underway. Apart from the clinical field, Permanente pursues a program of fundamental research which at present includes a study of the physiology of the regulation of the appetite and a project concerned with the disturbed cell chemistry in cancer and means which may possibly remedy it.

The *Permanente Foundation Medical Bulletin*, which is published periodically, is now in its tenth year. This periodical is "Dedicated to the advancement of medical care" and is composed of new contributions to the field of medical knowledge largely from the staffs of Permanente Hospitals and the Permanente Foundation. The Educational Proceedings for the Permanente Hospitals is published 10 times a year and is essentially a record of staff lectures, educational seminars and of proceedings at weekly grand rounds. It is intended to provide reviews and new developments in the field of medicine which may prove useful in the care of patients.

#### MEDICAL SOCIETY RELATIONS

Progress in this field has been slow. The bright spot has been the excellent relations developed between the Alameda Contra Costa Medical Association and the Oakland Permanente physicians. This is in large part due to the enlightened viewpoint of the local leaders of the medical society and to the help of their exceptional executive secretary, Rollen Watson. The Los Angeles Medical Society has been very cooperative, as has been the San Bernardino County Medical Society.

Extensive efforts are being made to resolve our difficulties with San Francisco, Solano and Multnomah medical societies. It is interesting that the major element of concern is what the Permanente Plan will do to individual practice. It has always been our contention that individual practice is here to stay and Permanente will not hurt it, but help it. A recent medical economic survey shows that Oakland, which can be considered the stronghold of Permanente (1 in 8 of the population belongs to the Health Plan), has the second highest private physi-

cian income in the country. This means that Permanente takes care of people who ordinarily do not get or are unable to pay for medical care, and, secondly, that Permanente's presence in a community may stimulate the population to be more medically conscious and to seek more care from their physicians. The county hospitals and welfare agencies are the only groups really losing patients in any appreciable numbers to Permanente.

#### A LOOK INTO THE FUTURE — OPPORTUNITY UNLIMITED

It is commonly stated that it takes 30 years to get a new idea across. Permanente's tenth anniversary marks the end of the second decade of the existence of the fundamental Permanente concept. At the start of the third decade, new horizons are opening up. The lifting of barriers to the financing of facilities as demonstrated by the projected new construction, cannot help but make an impressive demonstration to the physicians and hospitals of the country. The excellence of these new facilities, their innovations, the quality of work being performed, the educational and research programs developed, will add in no small measure to their pyramiding evidence of worth and soundness.

We are striving to prove (1) that high quality medical and hospital services can be rendered the people at a cost they can afford; (2) that this can be done to the benefit of all parties concerned — the people, the physicians and the hospitals; (3) last and not least, to prove that all this can be done by *private enterprise* without necessity for government intervention. Any doctor can so organize his work and his companions in practice to do the same job that a Permanente medical group is doing. There is nothing sacred or secret in the idea. This cannot help but become more evident in the coming years.

There appears to be a definite acceleration evident in our progress toward these goals. The great interest displayed by doctors, labor, government and the people in the "Permanente idea" encourages us to believe that the accolade of "mission accomplished" cannot be too far off. It is appropriate at this time to express our appreciation to all those who have worked with us, our trustees, our physicians and fellow workers, our Health Plan members, the medical societies, civic and union leaders, and the fair opposition. Opposition to change is natural and healthy; the effect of this opposition was to stimulate us to do a better job.

Source: Mildred Robertson  
(Secretary to Dr. Kay)

BIOGRAPHICAL DATA  
DR. RAYMOND MYER KAY  
12/10/69

Raymond Myer Kay was born on August 28, 1904, in Marshall, Texas. He was graduated from the Marshall Elementary School in 1918. From there, the family moved to Los Angeles where young Kay attended Los Angeles High School, graduating in 1922. He continued his schooling at Stanford University, California, earning his BS in 1926 and his MD in 1931.

Dr. Kay spent his internship at the Los Angeles County General Hospital from 1933 to 1935, spent a year as a resident in ~~in~~ pathology at Cook County Hospital in Chicago in 1936, and then was a resident of internal medicine at the Los Angeles County General Hospital from 1937 to 1940.

At the beginning of World War II, Dr. Kay entered the military service as a Captain and was stationed at Letterman Hospital in San Francisco during 1941 and 1942. From 1943 to 1945 he served at various other military hospitals in the United States. In 1945, Lt. Colonel Kay was stationed at various hospitals in India.

After the war, Dr. Kay entered into his own practice for a brief period of time.

From 1946 to 1949, he returned to Los Angeles County Hospital, becoming Coordinator of the Residency Training Program.

In 1949, Dr. Kay became medical director of the Southern Permanente Medical Group at Fontana, California. With his wife Martha, a former nurse whom he met at the Los Angeles County General Hospital in the late 1930's and married in 1940, he moved to Upland, California, a few miles from the Fontana Hospital. After the Health Plan expanded to Los Angeles in the early 1950's, and the Southern California Permanente Group moved its headquarters to Los Angeles, Dr. Kay continued to reside in Upland, making the long daily commute by automobile.

Dr. Kay has four grown children. The eldest boy, Jon, has finished medical school and is interning at Harlem General in New York City. A daughter Karen is married and has one child (the only grandchild to date). Another son, Joel, is in his third year at medical school at Wayne State, and the youngest daughter, Mary, is married and going to school.

Dr. Kay is a Full Clinic Professor at Los Angeles County General Hospital.



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Ora Huth

Graduated from the University of California, Berkeley, in 1943 with an A.B. degree, and in 1947 with an M.A. degree in fine arts. From 1943-1945 served in the U.S. Marine Corps at Arlington, Virginia. Taught art in the Vallejo Unified School District, 1947-1956.

Postgraduate Researcher, Assistant Specialist, and Research Associate and author specializing in governance of the San Francisco Bay Area and the California coastline for the Institute of Governmental Studies, University of California, Berkeley, 1968-1985. Research Associate, ABT Associates, Inc., Cambridge, Massachusetts, to study the San Francisco Redevelopment Agency for U.S. Department of Housing and Urban Development (HUD), 1978-1979. Legal research for Oakland family law attorney, 1975-1984.

From 1956 to date active in community affairs as member and past chairperson, City of Berkeley Waterfront Commission; as president of the League of Women Voters of Berkeley; and as director, officer, and chairperson of studies of regional government, land use, and general program planning for the Leagues of Women Voters of California, of the Bay Area, and of Berkeley.

Employed, 1983, as interviewer on numistics, soil chemistry, and medical care topics for the Regional Oral History Office.























